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LOCAL ECONOMIC DEVELOPMENT STRATEGIES

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HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE, PRODUCTIVITY, AND ECONOMIC GROWTH

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

NINETY-SEVENTH CONGRESS

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LOCAL ECONOMIC DEVELOPMENT STRATEGIES

MONDAY, NOVEMBER 23, 1981

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON TRADE, PRODUCTIVITY,
AND ECONOMIC GROWTH
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in the Conference Room, Control Data Business and Technical Center, 1946 North 13th St., Toledo, Ohio, Hon. Clarence J. Brown (vice chairman of the subcommittee) presiding.

Present: Representative Brown.

Also present: Mark R. Policinski and Robert Premus, professional staff members.

OPENING STATEMENT OF REPRESENTATIVE BROWN, VICE CHAIRMAN

Representative **BROWN**. The subcommittee will please come to order.

For many years the Joint Economic Committee has had an ongoing investigation of the economic condition of States and localities.

Over the past few years the fiscal condition of cities has worsened as the Nation's economy has taken a turn for the worse. In addition, the election results of last year and the New Federalism doctrine of President Reagan have made it clear that the people of this country do not want and the Federal Government of this country will not provide the old solutions of throwing money at the needs of the cities.

Consequently, the work of the subcommittee has shifted to studying new economic development strategies among the cities of the country.

As a matter of fact, we are, today, in a crisis at the Federal level, resulting from the fact that the administration very emphatically has suggested that it will not tolerate a budget excess of what it considers to be prudent to try to get the rate of inflation down and the recovery of the economy stimulated.

And so, our urban areas, like Toledo, are confronting the new realities and the new challenges of the 1980's.

Those realities are that the past 20 years of urban policy have resulted in too much failure; that although localities and States will have more freedom to solve their problems, it will take time for State and local actions to balance the loss of Federal funds; that social problems such as crime have driven many people from the city, and it will be difficult to bring them back; that the structure of the Nation's economy is changing and the economies of cities must become more diversified.

Clearly, cities are at a crossroads.

There are those who say that the cities outside of the Sun Belt are finished. They say that time and the Nation's economy have passed them by. They say that cities do not have the resources to solve their problems. They say, without large increases in Federal aid, the cities will become little more than ghost towns. They say it is time to hang a "going out of business" sign on one-third of this country. They are wrong.

Toledo and the other major cities in this country are making a comeback. The hallmark of these efforts is that the State government, local government, business, labor, and the citizens of the communities have joined together to revitalize the economies of the cities.

There seems to be a general belief of that no one sector of the community can turn things around and that, together, cities can chart their own destinies, they can make their own futures brighter.

Of course, local economies will never recover until the national economy is recovering and stronger. But the economic policy of the present administration aims at a long-run answer. Therefore, the cities cannot rely solely on the deliverance of Federal actions. They, themselves, must take charge of their economic futures, themselves.

Certainly, Toledo has attempted to shape its own future.

The Joint Economic Committee is holding these hearings today to study Toledo's economic development plan, a plan that is unique in that the development of the downtown area is linked to the development of an economically depressed area, nearby, Warren-Sherman.

This hearing is symbolic of the dramatic change of our society and in the economy.

In the past, we relied too heavily on Washington for answers. Now, we are turning our focus to States and localities for answers that will work. This is the first of a series of hearings that will include other communities and other development plans at the local level.

Today we will have three panels make presentations to the subcommittee. They will offer us the views of the city toward development and the Warren-Sherman area, businesses who have made commitments in Toledo's redevelopment effort, neighborhood associations, the chamber of commerce, and the other groups that have taken part in this effort.

Our first panel is made up this morning of the Honorable Doug DeGood, mayor of the city of Toledo—Mayor DeGood, we are delighted to have you with us this morning—and George Haigh, president of Toledo Trust Corp., and chairman of the Toledo Economic Planning Council.

I must apologize to both of you that I am the only member of this subcommittee able to be with us this morning. I trust that my vote is not going to be essential to the actions that might take place today in Washington. Although we've been thinking those actions would take place over the last 2 days and changing airline reservations on the every-few-hours basis. And I apologize also for the late start of the hearing for that reason.

But, as that drama plays out in Washington, it is even, perhaps, more important that we get some good and sound answers in our hearings today to address the problems that we face in the future in development in the community level.

Mayor DeGood we would like to start with your testimony.

We'll then ask Mr. Haigh to present his, and, then, I would like to ask you some questions. Also, I'll ask the staff to participate in the hearing and ask questions.

STATEMENT OF HON. DOUG DeGOOD, MAYOR OF THE CITY OF TOLEDO, TOLEDO, OHIO

Mayor DeGood. Thank you very much, Congressman. I appreciate your making this extraordinary effort to be with us today in light of the circumstances in Washington. And you made reference to the fact that the Federal Government was, to some extent, facing a crisis over the past several days and we are very cognizant of those kinds of activities taking place in Government as, of course, we have had our problems here locally, as well.

Toledo is privileged to serve as a location and topic of interest for this subcommittee hearing. I am certain that an understanding of Toledo and its potential for successful revitalization which will result from these proceedings will assist the subcommittee in its future pursuits.

The city of Toledo has not been casual in its attitude about its future. Aggressive action by the Toledo community has effectively drawn on our local resources to set a course of action to achieve the city's potential for revitalization and growth as we move into the 1980's.

The problems which we face are not new. Unfortunately numerous communities throughout our Nation have problems in common with those evident in Toledo. Concern with local economic downturns, high levels of unemployment, neighborhood deterioration, and austere municipal finances exist all too frequently in American cities.

What is unique to Toledo, however, is the manner in which our problems have been addressed. We have attacked our situation with a stern recognition of our dilemma; an identification of the resources available from our citizens, neighborhoods, corporate community and government; and the use of an approach which coordinates these resources and provides tangible benefits to the individual participant and the community as a whole.

The city administration actively participates in this approach. Our efforts have been directed at three components critical to the city's successful revitalization. These are:

The rejuvenation of the central business district;

The strengthening of Toledo's neighborhoods; and

The elimination of local obstacles which reduce the growth of commerce and industry.

Redevelopment of the downtown is crucial to Toledo. The successful revitalization of the CBD will return both dormant and deteriorated areas to productive use and will symbolize a renewed spirit, confidence, and logic for investment and growth within our city.

Over $350 million of investment in downtown projects has been proposed, initiated, or completed in Toledo during the last 2 years. This amount reflects substantial private investment assisted in part with public funds intended to sustain the development of downtown as the center of Toledo's economic, social, governmental, and cultural activities.

Development of new corporate headquarters for Owens-Illinois and Toledo Trust as well as the adapting of an existing structure to serve as headquarters for Ohio Citizens Bank represents over $120 million of investment in all. Rehabilitation of the Ohio Building, One Lake Erie Center, and an entire block of Victorian style commercial buildings known as Fort Industry Square have brought thousands of square feet of office and commercial space back into productive use. These projects represent over $15 million of private investment and result in part from favorable rehabilitation tax credits now available to their developers. Other projects, far too numerous to detail here, are made possible through the firm commitment of Toledo's business community and through its investment of millions of dollars of private capital into the downtown area.

A new city-county-State office building, extensive riverfront park development, new parking garages, and an innovative public transit bus loop demonstrate a compatible course of action by local government. In addition, we continue to explore new opportunities for a civic center, cultural arts facility, and related hotel developments. The development of all of these projects has been coordinated to complement current private development and to increase the momentum and resulting success of downtown revitalization.

Although the revitalization of our downtown is instrumental to the city's continued growth, successful redevelopment of the CBD will not occur without the rejuvenation of its adjacent neighborhoods. Programs and activities in the Warren-Sherman neighborhood hold promise for a geographically broad based redevelopment of Toledo.

The fundamental building blocks of Toledo are its neighborhoods, many of which have revitalization programs underway. The most comprehensive and successful of these undertakings is evidenced in the Warren-Sherman neighborhood.

Warren-Sherman's redevelopment provides a complementary cornerstone to the city's overall revitalization and the CBD's in particular. The successes being realized from Warren-Sherman are made possible through the investment of over $24 million of private capital.

The combined participation of neighborhood residents, as well as existing and future business and industry, has resulted in a well-formulated redevelopment program. A wide variety of needs have been addressed including:

Active job training programs and identification of available labor;

Development of an industrial park and new commercial areas, both providing new employment opportunities for neighborhood residents;

Development of new housing and financing for rehabilitation of existing structures; and

The provision of a wide array of social services including day care facilities for industrial park employees, new health care, and neighborhood security and cohesion programs.

The goals of the Warren-Sherman and all other neighborhood projects are not simply intended to refurbish the neighborhood's appearance. These projects include strategies seeking to retain and develop commercial and industrial activity to provide needed jobs; actions which promote the rehabilitation, development and financing of residential units; and programs which further the development of neighborhood social services. Nowhere is this more evident than in the comprehensive approach undertaken in the Warren-Sherman area.

Although the revitalizations of the central business district and its adjacent neighborhoods are interdependent on the success of one another, both are dependent on the capability of the city to create a positive business environment. The growth of Toledo's commercial and industrial base will not occur unless appropriate incentives can be provided and unnecessary obstacles alleviated. There must be a beneficial logic and a positive return for the business which selects to locate in Toledo over competing alternative locations.

The administration, neighborhoods, and corporate community of Toledo have worked diligently to remove unnecessary regulatory obstacles, create public services supporting development, provide skilled labor and products needed for production, and to initiate major projects reflecting Toledo's qualities for new growth.

What we cannot do in total is to provide the financial benefits which will spur new growth in our Nation's private sector—a financial package which is contemplated in the proposed enterprise zone legislation. These incentives are critical to insure that industry and commerce can have the same opportunity for profit and growth in an inner urban location as may be available elsewhere.

The cooperation which characterizes our efforts to revitalize downtown Toledo and its neighborhoods has been successful in creating an environment free of common obstacles and deterrents to economic growth. Although problems do remain, they result from an inability to generate further private investment from a temporarily soured economy.

The city of Toledo is uniquely positioned at present to move forward and to demonstrate that the results of our initial effort provide the optimum location for initiating new growth and development in America's cities.

Toledo is not only Ohio's newest city, but America's most resourceful city and its most determined city. I encourage all members of this subcommittee to learn from our approach and to assist in the development of Federal legislation benefiting Toledo and all other similar American cities.

Thank you, Congressman Brown.

Representative **Brown**. Thank you, Mr. Mayor. Mr. Haigh, please proceed.

STATEMENT OF GEORGE W. HAIGH, CHAIRMAN OF THE TOLEDO ECONOMIC PLANNING COUNCIL AND PRESIDENT AND CHIEF EXECUTIVE OFFICER, TOLEDO TRUST CO., TOLEDO, OHIO

Mr. HAIGH. Good morning, Mr. Vice Chairman. It is a pleasure for me today to address this subcommittee.

I am George W. Haigh, chairman of the Toledo Economic Planning Council, and president and chief executive officer of the Toledo Trust Co.

I would like to welcome you to Toledo, and to express our appreciation for your interest in Toledo's efforts in urban revitalization. We have an exciting story to tell, and I am confident that at the end of today's visit, you will share with us a sense of optimism concerning our country's ability to solve some of our most pressing urban problems.

Toledo today is in the midst of substantial efforts to revitalize its downtown and neighborhoods, to stabilize and rejuvenate a stagnant local economy, to improve its physical, social and economic systems, and to provide a range of meaningful opportunities and a high quality of life to its citizens. These efforts, which began 5 years ago, represent some unique and innovative techniques designed to utilize our local resources most effectively and to assure desired beneficial impacts. While the scope of our efforts is citywide, we will concentrate today on two major areas of revitalization—the central business district and the Warren-Sherman neighborhood. These two programs embody, both individually and jointly, most of those aspects of urban revitalization which should be of interest to the committee, and demonstrate what can be accomplished when a community gets serious about solving its problems.

I would like to point out that Toledo's approach to revitalization provides linkages between the central business district and the neighborhoods. At an early stage of our efforts, we realized that substantial downtown revitalization would never have significant impact unless both the process and the benefits of revitalization extended to the surrounding neighborhoods. We have thus encouraged those active in the downtown projects to involve themselves in Warren-Sherman and other neighborhoods and vice versa, and have attempted in the physical design of both programs to build communication and mutual interdependency. Downtown and neighborhood programs are not perceived as competing with one another, and a cooperative spirit has enhanced both efforts.

I would now like to provide the subcommittee with a brief overview of the Warren-Sherman project. Other speakers this morning will provide a more detailed discussion of various aspects of this program, as well as Toledo's central business district revitalization.

The Warren-Sherman project, Toledo's successful effort to revitalize its most distressed inner-city neighborhood, provides an excellent model for demonstrating how a city's private and public sectors can join forces to solve urban problems. This project has as its goal the restoration of economic and social stability to a neighborhood that is characterized by high unemployment, proverty and welfare dependency, blighted housing, and other indicators of urban decay. Today, Warren-Sherman is well on its way to becoming an attractive and viable neigborhood because of a unique combination of factors.

Perhaps the most important of these factors is the comprehensive nature of the project approach. Previous experience throughout the country clearly demonstrated the futility of one-dimensional attempt to deal with urban development problems. It recognized at the inception of the project that the ability to effectively coordinate economic, social, and physical improvements was a prime requisite of success. Consequently, the project has been oriented toward viable solutions to a wide range of problems; and addresses job creation and job training, enterprise development, redevelopment of commercial services, health care, day care, recreation, and other social support services. Job creation was of immediate concern since little impact would be expected from other efforts without employment opportunities for the neighborhood residents. Jobs would have to be closely matched with the abilities of the residents, and job training programs were developed for those without skills. Support for the development of small businesses was designed into the project. It was obvious that significant improvement on the housing stock would be a major need; and the project includes development of substantial new market-rate housing, as well as new subsidized housing and extensive rehabilitation. The neighborhood had no local convenience or commercial services, and this is being remedied by development of a neighborhood shopping center and a commercial development. Health care, day care, and other social services are also being dramatically improved. Essentially, the Warren-Sherman project addresses the need to deal with all of the major problems facing the neighborhood.

A second major factor contributing to the success of the project is the unique triad of interests which are working together to bring the plans to fruition. These are the private sector, the public sector, and a nonprofit developer. The private sector involvement is led by Toledo Trust, the city's largest financial institution, which has been instrumental in obtaining private sector support, investment, and job commitments, and arranging financing for various project components. The bank's willingness to take a lead role and its excellent contact throughout the business community have been extremely important.

Also participating from the private sector are several Toledo corporations which have made commitments to establish light manufacturing facilities in the neighborhood and provide jobs for neighborhood residents. Finally, an important private sector actor has been City Venture Corp., a for-profit marketer of private sector expertise in urban development. One of City Venture's major shareholders, Control Data Corp. is making a substantial neighborhood investment in developing a business and technology center, a small business incubator, and is also under contract to provide unique job training to neighborhood residents. The public sector is represented by the city of Toledo and its department of community development who have taken responsibility for all public improvements including housing, land acquisition, and street and utility upgrading. The city's strong support for this propect, led by the mayor and the community development director, has insured that available public sector resources have been directed to the project. The third partner in the triad is the Toledo Economic Planning Council, a nonprofit development corporation, which has served as overall project sponsor and is acting as developer of the 23-acre Warren-Sherman Industrial Park. This organization has served as an important project facilitator by providing a bridge between the public and private sectors who are jointly represented on its board of directors. The cooperation of all these participants has been one of the key ingredients to the project's success which has resulted in over $30 million of private investment and an estimated 1,500 jobs within 5 years.

The third major factor is the unique way in which residents of the neighborhood have participated in the project. One of the primary concerns in planning the project was to insure that the benefits accrued to current residents. It was important not to create a situation in which residents would not be able to obtain the new jobs or afford the new housing in the neighborhood. Consequently, neighborhood residents, under the leadership of a strong neighborhood organization, have been extensively involved in the project since its inception. In a continuing series of neighborhood meetings, residents have participated in establishing project goals, planning the project elements, and are taking part in implementing the various components. Early and continuing participation by the residents has not only insured their acceptance and support but has improved the project concept through utilization of their suggestions and desires.

The combination of the above three major factors provide perhaps the best available model for redeveloping inner-city neighborhoods. The Warren-Sherman approach should be duplicated and, in fact, is being used in two other Toledo neighborhoods at present. Every major city in the United States has at least one neighborhood similar to Warren-Sherman and the elements necessary to follow the Warren-Sherman approach. Cities, by providing leadership, commitment, local planning, and vision, can establish most of the basic conditions necessary to redevelop their inner-city neighborhoods. However, many cities do not have the resources to undertake basic public improvements necessary to attract private investment to inner-city neighborhoods.

Therefore, the Federal role is crucial. Tax incentives, economic development block grant programs, and targeted job training will provide important assistance in creating positive environments for the attraction of private investment to inner-city neighborhoods. In order to insure the success of these programs, it is suggested that they would function most effectively if the key components of the Warren-Sherman approach were present. A comprehensive redevelopment effort will insure maximum impact from each project element; strong partnership between the public and private sector will maximize response to development opportunities; and effective participation by neighborhood residents will assist in creating project concepts that were feasible and accepted.

One theme which I have mentioned and which will recur throughout today's testimony is the partnership approach to urban revitalization. I cannot overstate the importance of this concept to Toledo's success to date. The active participation and commitment from Toledo's business community, local government, and citizens have contributed greatly to our efforts, and I can assure you that we would have accomplished very little without this cooperative spirit.

I am particularly proud of Toledo Trust's involvement in these projects. In addition to our new headquarters and a Warren-Sherman branch bank under development, Toledo Trust has committed over $5 million in support of Toledo's neighborhood development programs and has played a vital leadership role in planning and implementing both the downtown and Warren-Sherman projects. I mention this not in order to obtain recognition, but because, as a result of our involvement, I have come to believe that local financial institutions are a key ingredient to successful urban revitalization. Because of their vested interest in the economic health and their community, banks can and should provide leadership and support through their key contacts and credibility in the business community and their expertise in financial and technical matters, as well as their financial resources. We have learned that this type of involvement is not only good citizenship but good business.

Thank you, Congressman Brown.

Representative **Brown**. Mr. Haigh, thank you very much for your testimony.

I want to ask a series of questions of you, and then, as I said, turn it over to the staff for some questions, also.

Mayor DeGood, I don't know that you have this information immediately available to you, but if you do not have it, perhaps you would be able to get it for us.

To what extent have incentives from government, State, local, Federal, played a role in Toledo's revitalization?

I have in mind such things as tax abatement, industrial revenue bonds, loan guarantees, tax increment financing, the Community Urban Redevelopment Corporation, and the use of both credit policies and other vehicles that might be available through municipal legislation that have been helpful.

Mayor **DeGood**. We have utilized, I believe, every technique that you mentioned in your question, in some instances, in the central business district and in others, in some neighborhood redevelopment projects.

I think all of those things have been of major assistance to the city in creating the kind of environment in which the business feels comfortable in going forward with private investment.

One of the things which I think continues to work to the detriment of the city being able to continue to create that favorable environment is the very limited financial resources of municipal government, itself.

We are, in this instance, dealing with a city of some 135,000 residents in the city, proper.

We have a very antiquated intrastructure in terms of parks, streets, sewers, those kinds of things; and yet, as we look forward to fiscal 1982, which in the city's instance, coincides with calendar 1982, we have a $300,000 capital improvements budget to deal with the magnitude of what it is we have to maintain and to create new public intrastructure.

I say that by way of leading to one of the points which I had hoped to have the opportunity to make, and that is that I think that it is imperative that local government have the capacity to, in appropriate instances, provide some public improvements, be it in a neighborhood or central business district, in order to facilitate the industrial private bonds.

Obviously, with a $300,000 capacity for all of 1982 we don't have any ability to do that.

And I think that as the Congress further contemplates the creation of enterprise zones, it is my hope that they will strike some balance between the tax expenditure approach which is essentially under consideration correctly and balance that with the need of northern industrial cities to have some capital improvement money in the form of an economic development block grant, so that in a neighborhood such as Warren-Sherman we can go to that private sector and say if you need the street redone, or sewer line extended, or whatever your particular need is, we would have some capacity to do that.

I think that the tax expenditure approach in and of itself will not be sufficient to give us the tools that we need in order to trigger that private investment.

Representative **Brown**. Is your bonding situation in the city healthy? Are you stretched in terms of your capacity?

Mayor **DeGood**. We have not found ourselves in a situation where we are defaulting on either notes or bonds. We have, in most instances, maintained a bond rating of A, down from double A some several years ago, and that, again, is as a consequence of the investment community's perception that the municipal budget is stretched almost to the breaking point but not yet at the breaking point.

Representative **Brown**. In terms of industrial revenue bonds, do those play a part in your municipal portfolio or are they being handled in a separate manner?

Mayor **DeGood**. They are being handled by a community improvement corporation.

Representative **Brown**. And the capacity of that community improvement corporation?

Mayor **DeGood**. You mean the total capacity to issue bonds? That has not been a problem in the sense that we have had the capability of issuing bonds where, in the judgment of local authorities, it was appropriate to do so. And we have made widespread use of that technique of financing private investment.

Representative **Brown**. And assistance from the State, either in terms of grants or loan guarantees or interrelationships of what the State has provided you?

Mayor **DeGood**. The State has been a participant both in our neighborhood activities and in the downtown. Obviously, the State was the driving force behind the construction of the new city-county-State office tower is underway in the downtown now. In addition to that, the State has participated with direct financial contributions to Warren-Sherman and with some other projects throughout the community.

Representative **Brown**. The Federal share of the project has been what?

Mayor **DeGood**. Which project, sir?

Representative **Brown**. Separate them; both of them.

Mayor **DeGood**. In the instance of the central business district, we have relied on UDAG, I think, and the first round of UDAG's back in—it would have been the spring of 1978—Toledo was the recipient, I believe, in that first round of the largest UDAG in the United States. We had a $12 million grant which facilitated our riverfront revitalization.

In addition to that, a couple of years earlier, we were successful in receiving some EDA funds to augment the financing necessary for a 1,200 capacity parking garage which is being built in the downtown, as well.

In the instance of the Warren-Sherman neighborhood revitalization, we had utilized UDAG funds, EDA funds and CETA funds to provide us some training opportunities in conjunction with the public school system here in the community.

Representative **Brown**. And is the city operating on the basis of the master plan, of a development plan that's flexible? How have you done your planning?

Mayor **DeGood**. That, I suppose, is a definitional question as to what constitutes the master plan.

In the instance of the central business district, I think it is fair to say that, yes, we've been operating from a master plan which has had the involvement of the private architects, State government and local government all working together.

In the instance of the Warren-Sherman neighborhood, yes, there is a master plan for that specific neighborhood revitalization project. There is not necessarily a master plan which encompasses all other neighborhood revitalization efforts which are underway.

To some extent you find yourself as city government responding to opportunities to create private investment. When someone comes forward from any segment of the community, and evidences an interest in investing in some segment of the community, we try to do everything to facilitate that.

So, to some extent, the willingness to invest private dollars determines the sequence of which areas are to be revitalized.

Representative **Brown**. It seems to me that you have a unique facility that is a great attraction. The waterfront area of Toledo for both commercial development and recreation seems to offer a great potential for Toledo.

Has there been a change in the attitude about that potential?

Mayor **DeGood**. I think so in the sense that historically it was fashionable to place heavy industry along riverfronts. And clearly, I think that the attitude as it relates to at least some segments of the riverfronts is not the fashion today.

Obviously, in the instance of some shipping operations, they, of necessity, are located on the riverfront and should be because you have to continually strike that balance between the necessity for economic growth and the necessity to create an aesthetically pleasing environment.

We have succeeded in placing in public ownership or in the city ownership about a mile of riverfront on the east side of the river facing the downtown and a little over one-half mile of riverfront footage on the west bank where the heart of our central business district is located.

And, once again, we were successful in capturing some Federal funds to aid us in those acquisition projects over a period of some several years through the land and water conservation fund out of the old BOR program.

Furthermore, as we have moved from acquisition steps into the development of those riverfront park areas, we have made some limited use of the Heritage Conservation and Recreation Service Funds, although, those funds, as you are well aware, have always been very limited.

Representative **Brown**. Let me now ask a question of both of you: What consideration has been given to two elements—I would separate them to this extent—retail development, that is, consumer goods shopping in the inner city, and the entertainment, dining and recreation potential which might be helpful to stimulate traffic in the downtown area?

Mr. **Haigh**. I guess it is a little bit of the chicken and egg. And I suppose some people could take some question with this. But I think we, early on, found that we had to get enough momentum going and, so, through the projects that have been mentioned through the mayor, we included in some of those some restaurant areas which will be beginning to open probably within the next 2 or 3 weeks and will be opening, if you will, into the spring.

So, we will go from a very few restaurants downtown to maybe adding six or seven more.

And that will continue, I think, as we move into the next phase. And I guess the next phase really is the retail and the housing and not necessarily in that order, not necessarily separate.

But I think we've found that we had to have enough in place and we had to either have control of or identify who had the land, so that we could make moves that would get people to either stay downtown or live downtown, because offices, by themselves, obviously don't do that.

So, we have addressed that. We know pretty well where it goes. And we have been talking to a variety of developers who we believe at this time have enough interest in Toledo that those elements will go forward.

Representative **Brown**. Has there been any market survey, for lack of a better term, about what might fly in Toledo in terms of outside investments in this way?

Mr. **Haigh**. In the retail area?

Representative **Brown**. Either retail or entertainment-recreation.

Mr. **Haigh**. I guess, I think the answer is yes. Because, through the economic planning council we did a variety of studies and I think it is also fair to say that if you believe those studies, you find your way.

I think redevelopment of any town necessitates that you look beyond what is in front of you. And if one were to look at the retail that's currently in Toledo, you would say nobody in their right mind would come back. But I think what happens is that the whole process that we've been involved in for some 3 years has brought a lot of people in and out of Toledo over those 3 years, and now they are beginning to be serious about it. It won't be the retail that used to be here. It will be a different kind of retail.

Housing will become something that's more interesting to people, such as the middle grounds area that the mayor talked about which is on the west bank. So that the studies is, yes. But what we are really saying is you have to almost create this environment, and that's what we are doing.

And, as you create that, you get people who are entrepreneur oriented and will come back.

Representative BROWN. Let me ask a specific question related to your business.

You are involved in branch banking, I assume, around the city?

Mr. HAIGH. Yes.

Representative BROWN. And also, own, or have absorbed into the fleet of Toledo Trust, some financial institutions from rural communities outside the city.

It would seem to me that some of these outlying cities and their residents also play a role in the development of Toledo as people who either come here to shop, to do business of one kind or another, or have professional activities that they undertake here.

How has this been considered in downtown revitalization? Are you working to serve this area of so many miles away in terms of your planning and thinking?

Mr. HAIGH. Well, in our own case, it became obvious to us, maybe moreso than other financial institutions or even other businesses, that Toledo is the focal point for hundreds of thousands of people who live outside of Toledo, down to Lima and over to say, Sandusky.

As a result, Toledo is an important center and I think, in the planning of and looking at Toledo, we said that maybe, maybe what we really have to recognize is that we are serving a lot more than just Toledoans. And, so, that in addition to being the heart of Toledo, the downtown, is really also the financial center and the business center of many people. And that, in itself, is the reason why we had to readdress those problems. Because, otherwise, they could tend to drift toward Columbus, Cleveland, or elsewhere, which was abnormal, because people in the area that I'm defining and the same area that we are covering, think of Toledo and come to Toledo for their shopping needs, financial needs, and so on.

And, so, we learned this, very much so, in our program of expansion and in banking.

Representative BROWN. Does the suburban area of Toledo, or the outlying neighborhoods within the city tend to draw away from the downtown and areas like Warren-Sherman? I ask both of you the question.

Mr. HAIGH. Well, I guess I would say, first of all, I don't think you have to accept that they compete. If we were to put a downtown shopping center similar to the ones we have in suburbia, we in effect, would be competing, and I would guess that that would be wrong.

But there are a lot of approaches to retail that are special oriented and belong, probably, more in the downtown where people can come.

I think you also have to accept that the downtown is the heart. You have to have a heart to a community. If you are in one suburban area, that isn't Toledo, that's just part of Toledo. The focal point is downtown. You have specialized retail. And people, I believe—if you involve the neighborhoods in addressing their own problems and each one is different, and then link those together, I think it becomes more evident that you support the downtown revitalization and Warren-Sherman, and so forth, because it is good for the whole town, as opposed to being individual and going home and not addressing the problems of your total community. I don't think you can ignore that anymore.

Representative BROWN. Mr. Mayor, could I ask you in connection with that question, what are the major economic advantages of the Toledo area and how is the city of Toledo and its neighboring communities using the advantage to attract additional investment?

Mayor DEGOOD. I think the economic advantages which we have are manyfold in the sense that, of course, we are fortunate enough to be located on America's fourth seacoast, thanks to the advent of St. Lawrence Seaway, we are a major intersection on the Interstate Highway System of the east-west north-south axis. Obviously, there are many of those intersections throughout the country. However, we are fortunate enough to be located on an intersection which involves Pittsburgh, Detroit, Chicago, Cincinnati, and some other major urban centers here in the Great Lakes region.

We have educational institutions in place here in the community, both in terms of secondary education which become increasingly specialized in terms of generating graduates who possess appropriate job skills and we have higher educational facilities in this community which can deal with the needs of any potential investor in terms of, again, developing the kinds of skilled managerial and technical work force which might be needed by, again, any potential employer.

In addition to that, I think we can safely say that we have one of the most skilled work forces anywhere in the country residing here in this community, and not only a very skilled work force, but a very reliable work force.

And not to go through the whole litany, but I think there are many things in the Toledo story which are positive and we are very diligent in our efforts to bring attention to bear on those positive aspects of anyone who is currently here and might wish to expand or anyone who might be contemplating moving here from outside the community. I think in response to your previous question, that there is some fairly significant empirical data to demonstrate that, to some extent, core cities do compete with their suburbs.

In 1970, the city of Toledo had about 76 percent of the tax base in Lucas County within its corporate borders. And by 1980, that had dwindled to about 68 percent of the tax base in Lucas County within the corporate limits of the city of Toledo. So, I think that there is over a period of time, an exodus of tax base from the central city to the suburban communities. And obviously, that affects our ability to maintain our public infrastructure to provide essential public services, public safety, and so on. And it obviously affects the capacity of the public school system to finance education of the kids in the schools.

Representative BROWN. Has there been any particular effort to integrate the university system into your planning structure or to take advantage of the opportunities that it affords in research or development projects, that might be attractive to industry and commercial development of any kind, retail or otherwise?

Mayor **DeGood**. Yes. In the instance, both of the local technical college which has been very involved in trying to tailor the programs which they have for the students to the needs of the local industry, they have gone so far as to send the president of Owens Technical College on some missions overseas in order to try to get a first-hand grasp of what foreign investors, foreign investors might be desirous of having if they were to locate in Toledo.

In addition to that, the University of Toledo has become increasingly involved in the whole economic growth effort over the past year with the creation of an urban institute at the university and they are beginning to participate much more intensely than they have in the past. I think it's fair to say that the people from the technical college participated more intensely and earlier on in the process than did the university. But I'm very pleased with the university's participation over the last year or 18 months.

Representative **Brown**. The economists around the country seem to agree that public policies should follow the lead of the marketplace.

Some urban specialist might even make that argument to prevent the countering of market forces which have lead to urban decline.

To what extent does, do you both feel that intervention on the part of the city, the county, the State, Federal Government, is important in this process?

Mayor **DeGood**. Well, I think that your use of the term "intervention" has some sort of perjorative ring to it that I'm not sure I fully subscribe to. It seems to me that, historically, government has always played a very significant role in aiding industry in its decisions in where they will locate.

If you look at the budget cuts in the Federal programs over the past 6 months or 8 or 10 months now since the inception of the new administration in Washington, I think you could make an objective case that those cuts have disproportionately, negatively, impacted on northern industrial cities.

I don't know why it is that it was objectionable when we financed the Interstate Highway System, when we financed sanitary sewer systems and did so many things which contributed toward the demise in the central cities in this country, and now, the central cities come back to the Federal Government and say we need some help in order to resuscitate ourselves, that, somehow, that's an objectionable process.

It seems to me that as we move further into the whole process of evolvement, we have to be cognizant of the fact that in 1930 50 cents out of every tax dollar which was collected in our system was collected at the local level. By 1978, I think we had fallen off to about every 13 cents of the tax dollar which is collected in the system is collected at the local level. So, the economic resource of government has increasingly been concentrated at that national level. As we move with responsibility for regeneration and rejuvenation to our communities back to the local level, I think it is important that we also move some of those dollars back to the local level so that we match the responsibility with the resources to deal with the difficulties as we have done historically in financing the water projects in the Sun Belt or sanitary sewers and highways in the suburbs.

Representative **Brown**. I serve on a panel, you will be happy to know, that has precisely that as its objective. That is, to see that we get some return to the State and local level, in the new approach to federalism, of the tax resources that will help meet the needs of cities and States in addressing the problems that we seem to have.

There is a timelag, it seems to me, between the effort to revive the economy by cutting the Federal budget and to return some of these tax resources to the cities which may be damaged by the cuts. Hopefully there will be a prompt response to the need to return tax resources, or at least a prompt response on the part of the community that it will see fit to devote some of its resources to meeting the future needs of the local community.

Mr. Haigh, do you want to comment on the particular issue?

I don't mean to cut you out and I must say by asking some of these questions at this point I hope to stimulate some thoughts in the minds of the other panel members.

Mr. **Haig**. I would only add to what the mayor said, and I think we are a typical example. Tax incentives, by and of themselves, are needed. But there is a transition period or a bridge that we are going through between two different policies, and it seems very clear to me that we still have to have a block grant program that addresses those shortfalls in the money that's being generated, prior to, say, the tax incentives taking hold and becoming more local in the sense of raising the revenues on the local scene. But you can't, you can't just abruptly close the bridge down and not have that control.

And so we continually advocate that the tax incentives programs are very acceptable and are wonderful to induce private sector investment. But you also have to have the city as a partner, and the city doesn't have any money. Everybody has to have something to contribute. The city can't contribute.

Representative **Brown**. One of the tax resources that has been discussed directly is the return of some of the current Federal taxes for transportation to the State and local level. And I must say that, as a personal matter, I think the good news is that the President may be rethinking his position on revenue sharing that he was induced by some of his advisers. And if that's the case, at least that will be less of a blow. I will turn the questions over to Mark Policinski who is a member of the staff of the Joint Economic Committee.

Mr. **Policinski**. I just have one question. The next panel will bring forth witnesses who are businessmen who have made a commitment in Toledo and to Warren-Sherman. I was wondering, do you feel, that there are businesses right now in Toledo, who would like to be part of the economic development plan in Toledo and in Warren-Sherman but are still remaining on the sidelines waiting for something additional to be done? And if there are, what additional things need to be done at the city level, or at the State level, or the Federal level to get that second round of investment?

Mayor DeGood. I think there are undoubtedly persons who would be interested in participating in a second wave of development, and I suspect that we would have to have at least three things in place, perhaps to trigger their participation: The first one of which would be some additional tax incentives from the Federal Government as contemplated again in the enterprise zone legislation; second, I think that it's a logical desire on the part of businesses as they make their investments to be assured that they are going into an area in which local government has the capacity to, again, provide the capital needs of the area and some public service needs in the area, as well; and third, I suspect that in many instances, there is an issue probably beyond the scope of this hearing today, which is that it's going to be a whale of a lot easier to get anybody to invest in anything, anywhere if the interest were significantly different than it is today.

Mr. Policinski. The economists of the Joint Economic Committee are working on it. [Laughter.]

Mayor DeGood.We appreciate their efforts and wish them a speedy success.

Representative Brown. We have had some success in the last 7 weeks.

Mr. Haigh. I would like to add to that and remind everybody that Warren-Sherman really is in what I call phase 1.

Getting beyond phase 1 is going to be a lot more difficult because if one were going to take away block grants and have no tax incentive, and so forth, in the sense the first phase had that. I also think it is important to realize that Warren-Sherman has become the model that I think it is because it was recognized as part of a linking of a redevelopment of a downtown which, in itself, is very unique.

I have yet to find this same process being done elsewhere to the magnitude.

So, you have to accept that people had some vision here to do something and then you have to realize that it takes incentives for the private sector to come into that kind of an area. I mean, there has to be good reason. The city has to give them some incentives and there has to be some tax incentives that come, obviously, to the bottom line because, in case it hasn't been made clear, there isn't anything being done in Waren-Sherman that isn't being done on the basis of profit. In other words, that is what we are trying to create; create a society that has employment and that works, if you will, for a profit. And to get that, I think, you need some incentive.

Representative Brown. That speaks to the mayor's point that if the interest rate is down, at least your profit potential is a great deal better.

I do want to ask one thing: Would you both get together and give the committee information on the specifics of the amount of Federal, State, county or municipal assistance that has been put into these projects, either in terms of direct grants, loans, guarantees, or tax abatements, so that we can have some assessment to that economic impact.

Bob Premus, a member of the staff of the Joint Economic Committee, also formerly an economist teaching at Wright State University in the Dayton area, who has done a lot of writing and work in the area of development.

Mr. **Premus**. Thank you, Mr. Vice Chairman. I have a question for Mr. Haigh.

You mentioned in your testimony that Toledo has been utilizing some unique methods and techniques to bring about revitalization of the downtown. And I want you to elaborate a little more on the nature of these development tools, if you would. And also give us some insights into which of the development tools appear to be more successful than others and what public policy might do to give local governments new tools to intervene in their economies or, at least, to try to steer their economies in some desirable direction.

Mr. **Haigh**. Well, it's a, it's a long answer, but I'll try and make it brief and just say I think, probably, Toledo found a noncontroversial vehicle in our economic council whereby it had a variety of members representing a variety of segments of the local economy, and it was able to do studies and able to do some things that allowed, if you will, the independence or gathering place or meeting place that could happen over these period of years that addresses, basically, the Warren-Sherman area. In the downtown, through the history—there were various organizations. But I think in the final analysis, that it was really Owens-Illinois' commitment to go ahead, that lead, if you will, lead this force into addressing, bringing into the city and bringing in other private sector people. And, so, over a period of time, I think the uniqueness is that we've had the sectors that I have mentioned all cooperating. There aren't a lot of private sector people involved in this, but I think in the early stages of any redevelopment, it's the people who are putting the substantial dollars on the line that really have the interest, and they tend to bring the other parties in over a period of time and that's been—that's where these other investors have come from. The city, of course, was an up-front partner in the beginning and primarily through the UDAG. Without that, the city really couldn't have been a partner. They would have had to stay on the sideline.

So, you have created here a, I think, a vehicle that, from time to time, can be used and it's an independent vehicle. And, again, have said to many people in other cities, create an economic planning group or a development group whereby people can come together and have equal say. And we find that that's probably been very helpful.

We have used it in a variety of ways. And I'm not so sure we knew that in the beginning, but it's turned out to be. The mayor before Mayor DeGood was the one that originated that and that's why I said about 5 years ago, because that's when that body started. But even that body, it was in place. But it had to have somebody like Owens-Illinois to really kick it off. And then it could play a vital role.

Mr. **Premus**. Thank you.

Representative **Brown**. So you expect increased participation from outside as this thing continues to move?

Mr. **Haigh**. Yes. I think we get it from—when you say "outside," I assume you probably mean outside, maybe, the original people and then also, outside the town.

Representative **Brown**. I meant outside the community, yes.

Mr. **Haigh**. I think the answer is yes, very much so. Because, again, I think the environment that has been created is very open for that type of participation and that environment has changed because I think that the sizable commitment by a variety of parties. And it continues to have that commitment.

And, you know, 3 or 4 years ago it was a dream. Today, you see more than reality. And people become believers. People are slow. You have got to hit them over the head a few times to believe. But they are slow to realize that there is a future.

Representative **Brown**. Gentlemen, thank you very much. We have, all of us here, a number of questions that we would like to ask you. But I think we'll have to reserve them for some of the other panelists, and if we come up with questions that we would like to get specific answers to later on, we'll be in touch with you and ask for written answers to written questions.

The next panel consists of Edwin Dodd, chief executive officer of Owens-Illinois Inc., William Norris, the chairman of Control Data Corp., and Joseph Brown, president of Brown Packing & Binding Co. Welcome, gentlemen.

Mr. Dodd, we have you listed to start the testimony, and once again, I think I'll ask each of you to make your comments and then we'll go to questions as we proceed.

STATEMENT OF EDWIN D. DODD, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, OWENS-ILLINOIS, INC., TOLEDO, OHIO

Mr. **Dodd**. Thank you very much. I am Edwin D. Dodd, chairman and chief executive officer of Owens-Illinois. And I, as those who preceded me, would like to say that I appreciate the opportunity to appear before your subcommittee.

You have already received a copy of my prepared statement on this subject, and I will leave with you for later review by your staff a comprehensive background document on my own company's participation in this development.

But, rather than read further a prepared statement on the topic, I would prefer to respond to specific questions suggested by you, Mr. Vice Chairman, in your letter of November 9; and therefore, I will discuss informally the factors that led to our increased investment in downtown Toledo, and then I'll comment a little on what, in my opinion, Toledo must do in the future to continue its economic development.

Now, a few years ago it was necessary for us as businessmen to carefully evaluate all the possibilities for satisfying our need for new headquarter space.

We were located in 15 to 20 locations around Toledo. The building that we then occupied for our headquarters was inadequate. And as the result of our growth we began in the late 1960's to study a wide range of alternatives to meet our long-term space requirements.

Just, very quickly, Owens-Illinois' involvement in Toledo results, principally, from two things: Libby Glass, formally the New England Glass Co., moved from Cambridge, Mass., to Toledo, in 1888. Edward Drumond Libby brought the company here then. A child of that company, the Owens Bottle Co., and the Illinois Glass Co., merged in 1928 and rather than having a headquarters in Alton, Ill., the city near St. Louis, they decided to consolidate its offices in Toledo. And in 1928 Owens-Illinois set up business here.

Now, there were a number of considerations in choosing our headquarters location.

We had a number of other cities that were pursuing Owens-Illinois as an attractive corporation that might move to some city in the Sun Belt. You are all aware of the rapid growth of the industrial communities of the Southern States. And we, like others, were being approached as to the possibility, desirability of our moving our headquarters from Toledo to one or more of the cities. And we considered those.

We also considered, becuse we had a very significant stake here, a great many people living in the community and with substantial investments in real estate, and so on, we looked at some 16 suburban locations around Toledo as a possibility of locating our headquarters there in more of a campus atmosphere. And, at the same time, we considered several downtown building sites.

Our businesses are still located to some extent, around the town. We have one manufacturing plant here of some size, our Libby Plant on Ash Street. And we have our technical center, our research facility on Dura and Westwood, and we have a development park which is in Perryburg. We employ about 5,000 people in Toledo. But we do employ approximately 70,000 people around the world with about 120 plants in the United States and a larger number overseas in some 22 foreign countries.

So, there was no great necessity to remain particularly Toledo. And our sales total are approximately $4 billion.

But we then began reviewing what were the advantages of Toledo and why should we locate where we did.

Toledo is very interesting, it seems to me, in that for a middle-sized, relatively small city, it has a disproportionately large number of major companies listed among Fortune 500 companies headquartered here. And in addition to Owens-Illinois, they include Owens-Corning Fiberglas, Libby-Owens-Ford, Sheller-Globe, the Dana Corp., Champion, and Quester. And not very far away, in watching the news in recent days, the Marathon Oil Co. at Findlay, Ohio.

Toledo is also one of the world's largest coal and grain shipping ports and the lake not only provides a port, but it is a fine recreational asset, and Toledo has other superb recreational facilities including a public park network which is quite unusual.

We have a good airport and we have a good public transportation system. As has been mentioned previously, there are a number of cultural assets here including our very excellent Toledo Museum of Art, the Toledo symphony, the opera, the ballet, Toledo theater. We have educational facilities in the University of Toledo, one of Ohio's principal schools, and another one to the south of us, at Bowling Green, and I don't think I need to remind anybody here

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chance, with an undue burden on the entrepreneur. As a consequence, a high percentage of new businesses fail.

On the other hand, through expanded initiatives and cooperation among industry, Government, and universities, all of the links in the chain of success can be strongly forged, vastly increasing the success rate for new enterprises and helping to assure the profitable growth of existing enterprises. The network is being replicated in connection with City Venture urban revitalization projects. Incentives mainly in the form of tax credits are needed to stimulate existing organizations to provide the needed resources. Incentives are also needed to assure the formation of other types of enabling organizations which don't presently exist.

TECHNOLOGY

Starting on the left side of figure 1 with technology, here the main requirement is tax credits for large companies to make their technology available to small companies.

SEED FUND

Venture capital is ordinarily available, however, seed capital is not. MESBICS and the SBA 503 program have helped, but there is still a major gap. Because of the long period of time required for new companies to produce significant profits, tax credits are needed to stimulate participation in seed capital companies.

MANAGEMENT ASSISTANCE

Volunteer consulting efforts are required for assisting the management of small enterprise. In Minnesota, volunteer assistance is channeled through a community-based organization called a cooperation office. This organization fosters the startup and profitable growth of small business.

The approach is simple: An entrepreneur has an idea for a new product or service and wants to start a company—the cooperation office helps develop a business plan and obtain financing.

MARKETING

The only point I'll take time to make in connection with marketing is to mention that a small business export trading company adds an important dimension. Again, achieving reasonabale profitability of such an organization takes many years; therefore, appropriate investment and capital gains tax credits are needed to get sufficient participation.

BUSINESS AND TECHNOLOGY CENTERS

Business and technology centers are needed to provide suitable laboratory and office space and high quality supporting services that include accounting, purchasing, training, consulting, and computer services. The payout period on a BTC is too long to attract the needed investment capital—hence, again the need for investment tax credits.

that it's been established again as of last Saturday that it's much more attractive to live in the State of Ohio than it is to be in Michigan, by a score of 14 to 9.

We have here, too, a fine medical college. And we have Owens Technical College which I think is an asset for the citizens of the community and it improves their opportunities to learn, improve their standard of living, and it is an asset for their employer to provide these jobs.

Now, downtown was not an asset, but it was in ideal shape for rebuilding, short of an earthquake which is highly unlikely in this part of the world, or a major fire of the San Francisco or Chicago type, which would, as a few years ago, not spread, because we have pretty well torn the town down now. We were in an ideal situation to be rebuilt. There was not a lot here.

So, it wasn't a matter of having to tear down buildings that have been 7, 8 years ago, built 7 or 8 years ago at some expense. But were inadequate for our use.

Now, we determined that to provide for our present and future needs, the single building was the best, would be the most feasible solution. And as we visited with the city government and others in the community who were addressing themselves to the problem of a renewal of greater Toledo in the downtown business district, it became apparent that we could play a leadership role in this revitalization at the same time we were taking care of our own needs.

And the specific opportunity came in 1977 when the city asked Owens-Illinois to consider buying and developing 11½ acres which joined the river and which we later named Seagate.

We have studied that thing quite carefully. The city had begun acquiring the site for urban renewal in 1965, and that had gone on throughout a 12-year period. The property had been offered for sale. But, to that time, there had been no interest shown by any potential developer in acquiring any part of the site. Owens-Illinois agreed to investigate the opportunity thoroughly and upon the conclusion of that study decided that they would take it on as a developer and would control the Seagate area. And we agreed on a three-step development program: first, we said we would construct a $100 million Owens-Illinois headquarters there which will house 2,000 office employees and we have most of our people moved into that building. There is a lot of finishing work to go on the outside of it and we are a little over $100 million into it—and I wish I could tell you it was just $100 million—so we have done that.

Now, we also, as a second thing, wanted to attract the development of other office space and constructive improvements. Toledo Trust also very interested in the development of the community and a new headquarters facility purchased a portion of the Seagate site from us, and there constructed their new headquarters building. And third phase of that development will involve a prestige hotel in that central section of the site, and that's much needed here where we have at the moment only one hotel in the downtown area, and that it does not have all of the public amenities that a hotel should have to adequately serve the business community. And I'm thinking of the reading spaces, conferences spaces, dining spaces, banquet facilities, and so on.

Now, three major factors that led to our investment. We had government cooperation at all levels and we had nonpartisan support, and we had support from the Federal Government as well as the State and the local government that I just referred to. Congressman Ashly was very helpful to us, and this support has continued under Congressman Weber who, I'm sorry, can't be with us today. HUD gave us grants totaling over $20 million and these were used for promenade parks, street improvements, the parking garage, St. Claire and Jefferson, the hotel and concourse. Governor Rhodes was most helpful. And as you know, we have a new State office building under construction here. And I would have to, at the risk overlooking some, mention that Mayors Kessler and DeGood have been most helpful in getting the city going, and the county and other members of the city and the county commissioners and other members of the city administration.

We have had the good media support, both from the radio, TV, and newspapers, local business and labor have been very helpful. An organization called the Greater Toledo Corp. was very constructive. The chamber of commerce and the Toledo Development Committee all have been strong, cooperative influences for these improvements.

Now, the plan was assembled here through the urban renewal process, and we insisted that there be some agreement on a master plan to eliminate this piecemeal development that had previously in Toledo been a lot of opportunistic spot zoning. And obviously, if we were going to invest $100 million or more in a particular location, it was prudent that we have some idea as to what would be going on around us. To have a continual blight here would have been wholly unsatisfactory, and I can assure you that Owens-Illinois would have no interest in building the last major building in downtown Toledo and having been surrounded by, figuratively, a desert.

Now, we had grants from the city totaling $13.7 million to public improvements and those were the streets, the parking garage, the riverpark concourse, State funding of the new city-county-State Office Building; we received a tax abatement, and tax increment of financing.

We bought the property by paying the highest appraised price. And tax abatement is a little deceiving as to what that means.

Owens-Illinois does pay taxes on the property at a level paid by all of the previous occupants of the property. It just means you don't pay on the new appraised value until the end of the 20-year period.

So, we are providing income in the form of taxes which were not being provided before. To the contrary, the site which had been land banked was only a source of maintenance and provided no income; whereas, now, Owens-Illinois to the city.

And we have been contributing to various projects in lieu of taxes that are public improvements. Owens-Illinois built the TARTA concourse tunnel under the street to connect the two sides of the street, the belvedere that goes into the park, the heliport landing strip, and other riverfront public improvements. And our contributions to the city during this have been an additional $1½ million.

Another thing that we really needed was some public transportation system that was reliable and efficient. Ant the TARTA bus loop and the transits stations, I think, are going to be very helpful to that. We have had the joint development of that park planned, we and the city. We, Owens-Illinois, that is, and the city have used the same landscape architects for adjoining and public, private properties to afford continuity. I don't think anybody will be able to identify where the public area begins and the private stops.

We have had a very good spirit of cooperation between public and private sectors and the city has cut out a lot of redtape to expedite these projects.

Now, your other question, Mr. Vice Chairman, is related to what Toledo must do to continue its economic development.

And I think very importantly and probably first, some master plan must be continued to be followed as closely as possible. And the public-private sectors must continue some real strong spirit of cooperation, and not just cooperation, but for enthusiasm for making this city all that it can be.

By coincidence, in connection with my business I have visited much of the world in the last 3 months, from being in cities from Baighjing (phonetic) to Shanghai, to Kuala Lumpur, to Qatar, Indonesia, to Manila, and back to the other side, Warsaw, Moscow, Belgrade, Oman, and Kuwait. And everywhere I have seen the revitalization of the cities.

In the People's Republic of China, I stayed in one of the finest hotels that I have ever seen in my life. And that was in Hwang Ho.

Manila is full of fine hotels.

Warsaw, which was completely, completely flattened in World War II has been completely rebuilt. It looks as though it's been there for thousand of years.

Budapest was a most attractive city. Even Moscow was more attractive than I had anticipated. And I had never been there before.

So, I think we need to realize that we are physically located where we can have a lovely city and one that will compare with many other attractive parts of the world, Philadelphia, Boston, Baltimore, San Francisco, Houston, Dallas, Atlanta, and so on.

Now, we need a continuation of land assembly by the public sector.

We avoid the fragmentation and the uncomplementary development of various parcels, and the public improvements must be made promptly as they are needed, and I think we will need some tax incentives and that they should be available as necessary.

Obviously, we must have public safety and maintenance must be superior, or all that we've accomplished will be for naught.

Very importantly, and I guess I should characterize this list not on the order of importance but certainly towards the top of the list would have to be a fine public school. That must be excellent and we must, as members of our community, support the education of our young people.

You don't need teachers' strikes and we don't need an inadequate budget for education.

It is just essential and it is one of the things that characterizes the Nation in which we live, is a readily available, fine, free system of public education in the secondary schools.

Adequate parking has to be provided for the continued revitalization of downtown.

We are going to have to do a little more promotion of Toledo's assets, and I think some of us are equipped to do that and feel we can do it with some credibility, some integrity and feeling where we couldn't have done that just a few years ago because we had some real question as to what it would be that we were out bragging about.

So, I think that we can attract people to the community. That specific question has been asked.

I think we are going to need a convention center here and that it would be desirable to include that in the master plan.

A seemingly small thing, but I think important to our transportation system and to the convenience to our citizens would be an interchangeable at the Toledo Express Airport from the Ohio Turnpike.

Our Express Airport is a fine airport but it is located very close to the Detroit Metropolitan Airport. And as a result, we don't have the flight schedules that we would sometimes like.

I doubt that we will ever anything like the schedules that are available in Detroit, nor that we should have.

But the traffic through Toledo would be enhanced considerably if people who lived east and west and who could conveniently travel the Ohio Turnpike could exit or enter at an interchange at Toledo Express Airport. And, as I think you know, Mr. Vice Chairman, that the Ohio Turnpike goes within 100 yards of that airport.

We need to expedite residential housing, specifically on the city-owned middle grounds property, to tie this thing together.

I don't think that the business community can do it alone. But I think it has to be a combination of business and retailing and housing, and it is a chicken and egg, and they are going to have to come along together in order for various investors to be satisfied that their specific interest can succeed.

Now, we are going to need some community support for our new hotel.

But I think we'll get that. And we will then have meeting facilities that will have the amenities for people who attend these meetings, and I think we'll have places where people will come to spend weekends because of the proximity of this hotel to the water, and that not everybody can belong to a club, or this, but a hotel there can serve the social needs of a lot of people for dinners, banquets, weddings, and numerable other activities.

So, I think that Toledo does have a bright future. But it's going to take continued local cooperation and enthusiasm and it's going to take some continuing support from the Government.

Thank you, Congressman Brown.

Representative **Brown**. Thank you, Mr. Dodd.

[The prepared statement of Mr. Dodd follows:]

PREPARED STATEMENT OF EDWIN D. DODD

GOOD MORNING, AND THANK YOU FOR GIVING ME THE OPPORTUNITY TO SPEAK ABOUT THE REVITALIZATION UNDER WAY IN TOLEDO. I BELIEVE THAT THE PROGRESS ACHIEVED BY THIS COMMUNITY IN THE PAST SEVERAL YEARS HAS BEEN VERY IMPRESSIVE--NOT ONLY IN THE SCOPE OF THE REVITALIZATION, BUT ALSO IN THE VARIETY OF PROJECTS AND THE AMOUNT OF COORDINATION THAT HAS GONE INTO THEM.

AND I THINK THAT THIS COORDINATION--ESPECIALLY THE COOPERATION BETWEEN THE PUBLIC AND PRIVATE SECTORS--OFFERS INSIGHTS THAT MAY BE HELPFUL IN GAINING A BETTER UNDERSTANDING OF THE PREREQUISITES FOR A SUCCESSFUL REVITALIZATION EFFORT.

I WILL BEGIN BY DESCRIBING BRIEFLY THE CIRCUMSTANCES LEADING UP TO THE DECISION BY OWENS-ILLINOIS TO ACCEPT RESPONSIBILITY FOR DEVELOPMENT OF THE DOWNTOWN AREA NOW KNOWN AS SEAGATE, TO INCLUDE CONSTRUCTION OF OUR NEW WORLD HEADQUARTERS BUILDING. THIS BIT OF RECENT HISTORY WILL PROVIDE SOME INSIGHT INTO THE REVITALIZATION PROCESS FROM THE POINT OF VIEW OF THE PRIVATE DEVELOPER.

WE BEGAN MOVING INTO OUR NEW HEADQUARTERS BUILDING IN JUNE OF THIS YEAR. WHEN WE COMPLETE THE MOVE NEXT MONTH, WE WILL BRING TOGETHER MORE THAN 2,000 OWENS-ILLINOIS EMPLOYEES FROM SEVEN DIFFERENT LOCATIONS IN THE TOLEDO AREA. THIS INCLUDES MORE THAN 500 PEOPLE WHO PREVIOUSLY DID NOT WORK DOWNTOWN.

Going back to the late 1960's, our corporate planning department had studied a wide range of alternatives to meet our long-range space needs. By the mid '70's, our planners had investigated some 16 suburban locations, a number of downtown Toledo sites, and several other possibilities in the Sunbelt and elsewhere.

In 1977, the city of Toledo, by resolution of City Council, offered to sell Owens-Illinois a site of approximately 11 acres if we would agree to build our world headquarters building on part of the land and take responsibility for development of the rest.

The city had assembled this land through the urban renewal process in a series of purchases dating back to 1965. But no redevelopment had taken place, and most of it was being used for surface parking.

Although the city's proposal was very intriguing, we had no illusions about the risks involved in making a long-term investment in downtown Toledo at that time.

We recognized that downtown revitalization was important to the entire Toledo area. And, if economically practical, we were willing to take a leadership role in this process. But we realized that our project alone would not be enough to do the job.

AND SO, BEFORE MAKING A DECISION, WE EXPLORED THE CITY'S PROPOSAL VERY THOROUGHLY, BOTH TO EVALUATE OUR OWN COMMITMENT AND TO IDENTIFY THE STEPS THAT WOULD BE NECESSARY TO ENCOURAGE FURTHER DEVELOPMENT IN THE DOWNTOWN.

OUR EVALUATION ESTABLISHED A CLEAR NEED FOR A NUMBER OF PUBLIC IMPROVEMENTS--BOTH TO COMPLEMENT THE PRIVATE DEVELOPMENT WE WERE CONTEMPLATING AND TO SET THE STAGE FOR FUTURE REVITALIZATION.

THESE PUBLIC PROJECTS INCLUDED MAJOR STREET IMPROVEMENTS, WHICH TODAY ARE ESSENTIALLY COMPLETED; A PARKING GARAGE, SCHEDULED TO BE OPENED SHORTLY; AND DEVELOPMENT OF A DOWNTOWN RIVERFRONT PARK, WHICH IS NOW WELL UNDER WAY.

WE THEN DISCUSSED THESE MATTERS WITH CITY OFFICIALS, AND TOGETHER WE DREW UP A LIST OF RESPONSIBILITIES--BOTH OURS AND THEIRS. THESE RESPONSIBILITIES WERE THEN SPELLED OUT IN A WRITTEN AGREEMENT WHICH WAS SIGNED BY BOTH PARTIES AT THE TIME WE PURCHASED THE SEAGATE PROPERTY.

THIS WAS A VERY SIGNIFICANT STEP, NOT ONLY BECAUSE IT CLEARLY ESTABLISHED AT AN EARLY STAGE THE RESPONSIBILITIES AND COMMITMENTS OF BOTH PARTIES. MORE IMPORTANTLY, IT SET THE PATTERN FOR A TEAM EFFORT BETWEEN PUBLIC AND PRIVATE SECTORS THAT HAS BEEN THE HALLMARK OF OUR SUCCESS IN TOLEDO.

At this point, I should point out that the commitment by Toledo Trust to build a new headquarters was a vital step in the success of the SeaGate development. And Toledo Trust, of course, has played a key role in building the spirit of teamwork between business and government.

Perhaps the best example of this team effort is Promenade Park. For years, Toledoans had dreamed of transforming our downtown riverfront into a beautiful public park area.

Today, this dream is well along the way toward becoming a reality. This city is developing a 15-acre park that includes a half-mile of downtown riverfront. Completion is scheduled for next August.

Owens-Illinois and Toledo Trust have closely coordinated with the city's development plans the landscaping of our own property adjacent to the park. The privately owned open space will amount to some seven acres. The result will be a total of 22 acres of beautifully landscaped open space that will give Toledoans new opportunities to discover and enjoy the downtown riverfront.

In fact, Owens-Illinois and the city have employed the same landscape architect to assure a coordinated development of these open space areas. When the project is completed, it will be virtually impossible to tell where the public land ends and the private property begins.

I ALSO SHOULD MENTION THE IMPORTANT INGREDIENT OF FEDERAL FUNDING THAT ENABLED THE CITY TO UNDERTAKE THESE PARK IMPROVEMENTS. FUNDING WAS NOT AVAILABLE IN THE CITY'S CAPITAL IMPROVEMENT PROGRAM, SO THE PARK DEVELOPMENT IS BEING DONE WITHOUT EXPENDITURE OF CITY FUNDS.

THERE ARE MANY OTHER EXAMPLES OF THE CLOSE COOPERATION BETWEEN BUSINESS AND GOVERNMENT IN OUR DOWNTOWN REVITALIZATION.

A PEDESTRIAN CONCOURSE SYSTEM--A FIRST FOR DOWNTOWN TOLEDO--IS BEING DEVELOPED WITH A COMBINATION OF PUBLIC AND PRIVATE FUNDING. IT WILL TIE TOGETHER PRIVATE OFFICE AND RETAIL SPACE WITH PUBLIC TRANSIT AND PARKING.

IT IS A CREDIT TO THE QUALITY OF THE TEAM EFFORT HERE IN TOLEDO THAT WE HAVE BEEN ABLE TO ACHIEVE THE CLOSE COORDINATION NECESSARY TO MAKE SUCH PROJECTS WORK.

TOO OFTEN, IN OTHER PLACES, WE ALL HAVE SEEN EXAMPLES OF JUST THE OPPOSITE. BUSINESS LEADERS WHO REMAIN ALOOF FROM THE POLITICAL ARENA, AND POLITICIANS WHO SEEM TO PREFER CONFRONTATION TO COOPERATION.

I THINK ATTITUDES SUCH AS THESE ARE VERY SHORT-SIGHTED. THEY IGNORE THE FACT THAT BUSINESS AND GOVERNMENT, DESPITE THEIR BASIC DIFFERENCES, HAVE MUCH IN COMMON. AND IT IS TO THEIR MUTUAL BENEFIT--AND TO THE BENEFIT OF THEIR COMMUNITIES--TO EXPLORE AREAS OF COMMON INTEREST AND TO WORK TOWARD ACHIEVING COMMON GOALS.

THE BENEFITS OF THIS APPROACH ARE BEGINNING TO BECOME EVIDENT HERE IN TOLEDO, ALTHOUGH THE FAVORABLE IMPACT OF REVITALIZATION IS MORE FAR-REACHING THAN IS YET WIDELY RECOGNIZED.

OUR WORLD HEADQUARTERS BUILDING ALONE HAS GENERATED BUSINESS FOR MORE THAN 300 COMPANIES IN THE TOLEDO AREA, MOST OF THEM SMALL BUSINESSES.

IN THE PAST TWO YEARS, DOWNTOWN CONSTRUCTION HAS VIRTUALLY BECOME AN INDUSTRY IN ITSELF, RANKING AMONG THE TOP 30 EMPLOYERS IN THE TOLEDO AREA. AND IT COULDN'T HAVE HAPPENED AT A BETTER TIME.

FROM 1979 TO 1980, THE FIVE-COUNTY TOLEDO METROPOLITAN AREA LOST MORE THAN 12,000 JOBS, MANY OF THEM IN THE AUTOMOBILE INDUSTRY AND RELATED BUSINESSES. BUT DURING THAT SAME PERIOD, THE NUMBER OF CONSTRUCTION JOBS INCREASED BY WELL OVER A THOUSAND. AND THAT CAME ABOUT DESPITE A DEPRESSED MARKET FOR NEW HOUSING CONSTRUCTION. CURRENTLY, CONSTRUCTION EMPLOYMENT IS STABLE AT A RELATIVELY HIGH LEVEL.

THE PATTERN OF SUCCESS IN DOWNTOWN REVITALIZATION HAS, I BELIEVE, PLAYED AN IMPORTANT PART IN DEVELOPMENT OF THE WARREN-SHERMAN PROJECT.

OUR SUCCESSFUL WORKING RELATIONSHIP WITH THE CITY WAS AN IMPORTANT FACTOR IN OUR DECISION TO CONSTRUCT A CORRUGATED BOX PLANT AS PART OF THE NEW WARREN-SHERMAN INDUSTRIAL PARK.

This commitment illustrates our belief that revitalization of the downtown complements the redevelopment of surrounding neighborhoods, and vice-versa. The new box plant, along with other new development in the downtown area itself, including a new hotel, will create permanent jobs that will be easily accessible to people living in the near-downtown neighborhoods.

Much of the revitalization that we can see today in Toledo began several years ago.

Today, we are operating under a new and evolving relationship between the federal government in Washington and the state and local governments. This concept, which President Reagan calls "the new federalism," is intended to give people in all parts of our country a stronger voice in determining what kinds of government services they want in their own states and cities and how much they are willing to pay for them.

I would like to conclude my comments by saying that I strongly support this approach. As with any change, this one will undoubtedly bring some pain of adjustment. But I am convinced that we all can accept this challenge as business leaders, government officials, and citizens, in order to better determine our own destiny.

Government and business can work together for their mutual well-being and for the well-being of the general public. It does take work, patience, and understanding. But it's not difficult to see that when we work together, we grow together.

Thank you.

Representative BROWN. Mr. Norris, please proceed as you wish.

STATEMENT OF WILLIAM C. NORRIS, CHAIRMAN, CONTROL DATA CORP., MINNEAPOLIS, MINN.

Mr. NORRIS. Thank you, Mr. Vice Chairman, it is noteworthy that you have chosen this setting for a hearing to examine inner city redevelopment. What you will find here is the Nation's most extensive public-private sector cooperation for inner city revitalization which is guided by a holistic plan.

The approach is unique, it works. However, as George Haigh emphasized earlier, it needs additional support to assure that full potential is reached in Warren-Sherman and additionally, that replication occurs on a national scale. The enterprise zone concept, properly structured around Warren-Sherman as a model, can provide that support.

Let me outline the basis for effective enterprise zone legislation which can be drawn from the Warren-Sherman experience. I won't attempt to describe all of the needed components. Instead, I will focus on those essential to establish revitalization momentum. They are:

Better, less costly education and training which are linked to jobs;

Aggressive employment and job creation programs; and

Improved living conditions, especially housing, which are essential to motivate people to achieve goals.

Achieving success in addressing these essential components requires observance of guiding principles which include:

Comprehensive plans for revitalization;

Ensuring that development activities are community-based;

Broad-based cooperation among public and private sectors;

Creating enabling organizations;

Providing financial incentives;

Adequate Government seed funding; and

Employment as the principal measure of success.

COMPREHENSIVE PLAN

Successful revitalization efforts require a comprehensive plan which brings to bear available public and private resources in a cooperative approach. Experience shows that development problems of urban and rural areas are multifaceted; thus, they do not lend themselves to piecemeal or one-dimensional solutions.

COMMUNITY-BASED DEVELOPMENT

Experience also indicates that major successes in poverty-area revitalization are achieved only when development activities are community based with the full support of business. Omission of either will guarantee failure or limited results.

ENABLING ORGANIZATIONS

Enabling organizations of many types are required to develop and implement a comprehensive revitalization plan.

CITY VENTURE

One such organization is city venture. Preparation of comprehensive revitalization plans and management of their implementation requires extensive and diverse resources. A consortium approach is needed whereby adequate resources are assembled in an efficient pooling of the resources of individual organizations. City venture, Inc. was formed for that purpose 3 years ago. One of its first contracts was with the city of Toledo. Contracts currently in process with other cities include Baltimore, Philadelphia, Charleston, S.C., Miami, the South Bronx, and Benton Habor, Mich. A final point with respect to City Venture is that investment tax credits are needed to attract participation in this type of a consortium organization on the scale required.

Other needed enabling organizations will be reviewed in connection with job creation and housing.

EDUCATION AND TRAINING

Next and critically important is that better, less costly, and more responsive education and training must be provided in order to shut off the stream of functionally illiterate, disadvantaged youth pouring out of schools. The solution to this basic problem, which is the root cause of a number of other problems, has two major components. One is the use of advanced technology in the educational process. The other is closely linking education and training with jobs.

ADVANCED TECHNOLOGY

Technology, primarily in the form of computer-based education, can meet the broad range of educational needs presently being underserved. It can effectively help in slow learner advance, challenge the fast learner, and, at the same time, offer the broad range of courses in science, vocational and other subjects that are needed in today's complex, technology-based society. The cost of CBE is already less than traditional types of education and are decreasing, whereas traditional educational costs continue to rise.

LINKING EDUCATION AND JOBS

Also critically important is the need to link education and training to jobs, preferably starting in high school. This can be accomplished by tax incentives to cover the costs incurred by business in training and hiring the disadvantaged, plus a reasonable profit. However, the tax incentives would not represent a net loss to the Government.

JOB CREATION

The component of job creation is addressed primarily through small enterprise.

The principal resources in the chain of success for small business are shown in figure 1. Unfortunately, in our present economic system, making these successful linkages is left too much to

FINANCIAL INCENTIVES FOR HOUSING AND COMMERCIAL CONSTRUCTION

Rehabilitation and new construction of housing and commercial building is facilitated with a comprehensive revitalization plan. Risk is reduced, hence commercial lenders are more willing to participate; however, some form of special investment tax incentive is needed to attract the scale of investment required for inner city commercial building and housing projects.

GOVERNMENT FUNDING

Upfront government funding—mainly Federal, because the Federal Government ultimately benefits most—is required in getting the redevelopment process started in such areas as clearing and assembly of land, rehabilitation of housing and commercial structures and needed improvement in streets, and other elements of infrastructure. Much higher leverage of upfront government funding can be obtained where a comprehensive revitalization plan is in place.

MEASURING SUCCESS

Finally, increased employment is the basic objective, and each zone must have a specific goal. Progress is then measured against it. Given increasing employment, revitalization momentum will build and the means become available for the residents to solve many other problems.

What I am describing and advocating is not mere theory. During your tour of Warren-Sherman, you will see first hand the essence of the approach. It works. You will sense the revitalization momentum that is building. Again, as noted earlier, it needs additional support to assure that full potential is reached here and that replication occurs on a national scale. The enterprise zone concept properly structured around the Warren-Sherman experience can provide that support.

[Figure 1, referred to by Mr. Norris, follows:]

Representative BROWN. Thank you very much, Mr. Norris.

Our next panelist is Joseph Brown, president of Brown Packing & Bindery Co., one of the new businesses in the area. Mr. Brown, please proceed as you wish.

STATEMENT OF JOSEPH BROWN, PRESIDENT, BROWN PACKAGING & BINDERY CO., INC., TOLEDO, OHIO

Mr. BROWN. Thank you, Mr. Vice Chairman, for this opportunity to give Brown Packaging's view of what's going on in Warren-Sherman.

I would like to add my viewpoint from the minority businessmen's perspective and as a native Toledoan. Having come from a broken home and raised in government housing the force was not with me, to say the least. My first exposure to printing came at the age of 12 as a member of the Boy's Club of Toledo where I observed the operations of the printshop and my facinations with it resulted in my participation of this activity on a daily basis. I continued to pursue my interest as a high school student at Macomber Vocational High School for 4 years in printing and related subjects, graduating in 1965. After graduation and during 6 years of military service with the United States Army Reserve, I was employed by Owens-Illinois as a shipping and receiving clerk. I was later promoted to bindery foreman, then to systems multilith operator, resigning in 1967. From there I held various positions ranging from press operator, graphic arts instructor to in-plant manager and consultant to Myhammad Speaks newspaper in Chicago. During this time, on several occasions, I accepted employment paying less, to acquire the additional technical skills.

In 1971 an associate and I formed a company which published 101,000 comic books that were distributed in the United States and Canada. As time passed we realized that although we had the necessary technical skills, our administrative planning skills were lacking, and therefore had to be acquired. With voluntary assistance unavailable, and purchase assistance unaffordable, we found ourselves in a position that is common with numerous small minority businesses. That being having no prior business experience in marketing, accounting, finance, and other administrative functions. Also there were no financial assistance available for a person having no prior business experience.

In early 1980 I attended a Warren-Sherman Council meeting because I read in the newspaper that there was a company rebuilding that neighborhood, and looking for a minority entrepreneur to establish business in order to provide employment for its residents.

In May of 1980 I requested and met with Kenneth Henderson, then with City Venture Corp., to discuss what assistance would be available in starting a new business. After having the available supportive services explained to me, I realized that these were the same administrative services that I had needed but were not available to me in my previous venture. Marketing, accounting, finance, business planning, revenue projection, financial assistance, employee tax credit, CETA, and on-the-job training contracts and others would now maximize my chances of operating a successful business.

MINNESOTA NETWORK FOR INNOVATION & JOB CREATION

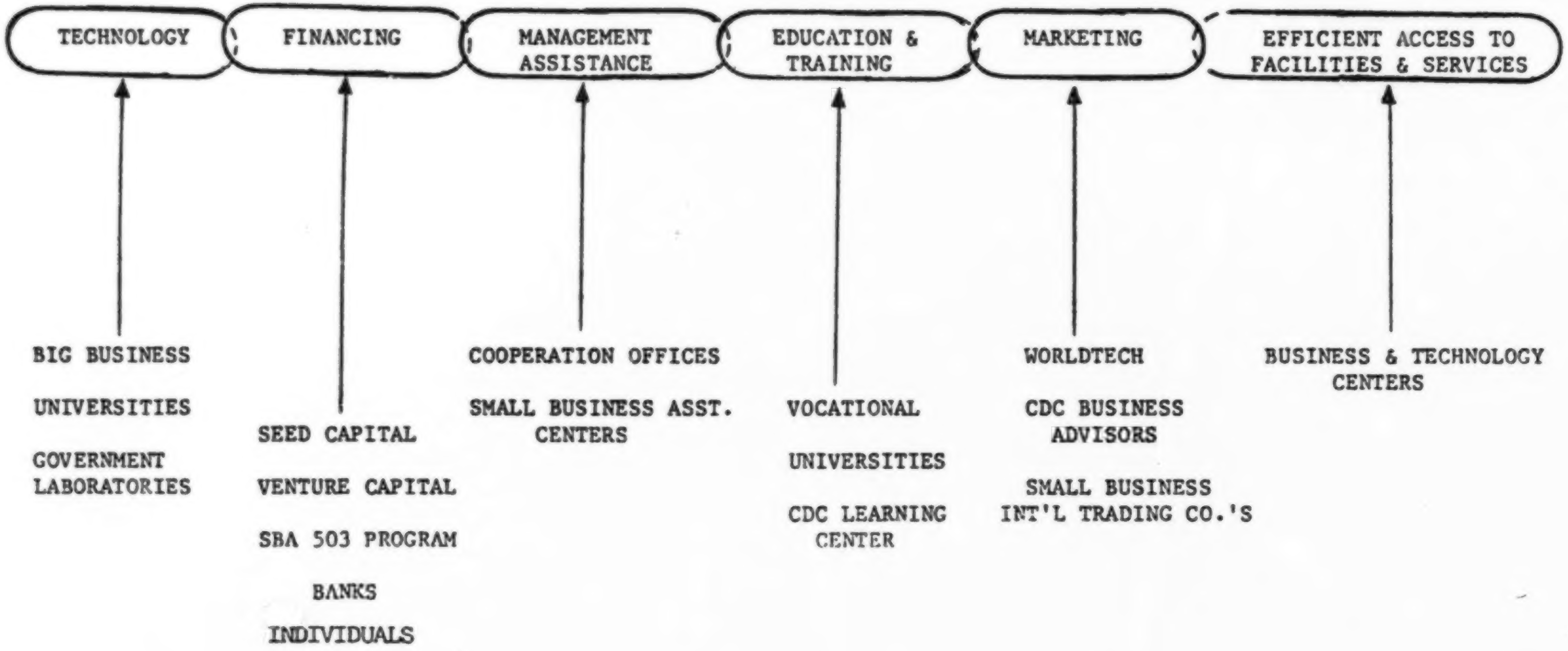
TECHNOLOGY
FINANCING
MANAGEMENT ASSISTANCE
EDUCATION & TRAINING
MARKETING
EFFICIENT ACCESS TO FACILITIES & SERVICES
BIG BUSINESS
UNIVERSITIES
GOVERNMENT LABORATORIES
SEED CAPITAL
VENTURE CAPITAL
SBA 503 PROGRAM
BANKS
INDIVIDUALS
COOPERATION OFFICES
SMALL BUSINESS ASST. CENTERS
VOCATIONAL
UNIVERSITIES
CDC LEARNING CENTER
WORLDTECH
CDC BUSINESS ADVISORS
SMALL BUSINESS INT'L TRADING CO.'S
BUSINESS & TECHNOLOGY CENTERS

Figure 1

As I began preparation of the 3-year business plan, I found that I needed assistance in putting together the proper mix of these functions in the sequence necessary. Therefore I called the City Venture Corp. office and scheduled another meeting which led to countless other meetings with City Venture Corp., and Control Data Corp., personnel, industry leaders, telephone conversations, personal interviews, credit and character checks. December 3, 1980, Brown Packaging & Bindery Co., Inc., was founded. We immediately began cleaning and painting the future offices and manufacturing space with anticipation that we would be successful in our endeavor. City Venture and Control Data employees, along with Warren-Sherman Community Council, the department of community development of the city of Toledo, Warren-Sherman residents, relatives, and friends assisted in a overall process of helping to turn my dream into a reality. To start a business on paper and see it materalize with the opening of our offices at 1916 North 12th Street was truly exciting. The support and assistance was appreciated. Follow up visits and telephone calls from City Venture Corp., Control Data Corp., financial institutions and private industry is playing a major role in the continuing growth of my business. From the initial job of $63 and two employees including myself to the awarding of the $19,000 plus contract requiring approximately 12 additional employees is significant proof that this time we are on the right road.

The BPB has, since opening provided employment and work experience for some 35 Warren-Sherman and surrounding area residents. It was designed to be part time in nature due to some residents attending the Fair Break Learning Center during the morning leaving only the afternoon for attendance. Other schedules are based on employees availability as dictated by their family situation. Which is often subject to availability of child care and the hours which their children attend school. In the case of high school or college students it depends on their class schedules. The importance of this concept is to allow persons having different needs and schedules to have the opportunity to further their education while receiving work experience thus enhancing their marketability for eventual full-time employment. This also enables single parent householders with family commitments to more easily enter the work force.

Job opportunities and work experience situations gives the residents a sense of pride and motivation which can be a positive influence on their future.

In order to sustain BPB as a viable and successful business, we are planning a direct mail campaign to cover the State of Ohio, Michigan, eastern Indiana, western Pennsylvania, and northern Kentucky. This will enable us to increase our level of operation, and maximize the usage of our present equipment to enable our work force to become more productive. The services we offer our customers are bindery services, including collating, folding, stapling, punching, plastic bag and corrugated packaging, direct mail services, assembly or sub-assembly of parts of various nature. We also offer special projects for advertising agencies. We will aggressively seek to gain market penetration into the industry wherever possible.

What I am saying to you today is that while small business encounters many problems, these problems can be overcome with the following ingredients; tax incentives, employee tax credits, CETA assistance, accounting assistance, market analysis, contract compliance by companies as it relates to minority participation, financial assistance, and others. There are some of the items necessary for small businesses to be competitive in the marketplace. Without these types of support services, Brown Packaging & Bindery Co., Inc., and others like it, have little chance to succeed in today's economy, and the need for jobs in the Warren-Sherman neighborhood is much to critical for these businesses to be allowed to fail. Because of the joint partnership between private corporations, financial institutions and incentives from Federal, State, and local governments, blended with neighborhood participation, the revitalization effort of Warren-Sherman is a reality. With that reality came the creation of a small business designed to meet a specific need of its residents, namely employment. Brown Packaging & Bindery Co., Inc., is a creator of jobs, a counselor, and a trainer. We want to be a model for a young person to look at and say "I want to be a business person and own my own business someday, for I had a minority businessman as a model when I began my dream."

From my experience this far, I see a giant step in the right direction. Neighborhood revitalization in Warren-Sherman is taking place, because of the holistic approach taken. We need continuing incentives for businesses to locate here, and provide jobs for residents. In addition we need continuing training programs to insure that residents have marketable skills. We also need the essential human services: child care, health and dental care, and housing.

However, the bottom line is the creation of jobs.

While there is no quick fix available, progress is continuing to be made. In the rebuilding of urban America, it will take a conscious effort from private business, financial institutions, government, and neighborhood residents.

I continue to be optimistic and have faith in this project and am looking forward to residing in this area in the near future. For Warren-Sherman is a happening and "who's time is now."

Thank you, Congressman Brown.

Representative Brown. Mr. Brown, you and I share a common interest, and that is the printing business. I'm not sure I want to wish you all that much success, since ours hasn't been that good. [Laughter.]

Mr. Brown. I'm in bindery, sir, I started in printing.

Representative Brown. I made that note in my mind that you are in the bindery business separate from the printing business, and maybe we can work together. I'll have to talk to you after this is over.

Mr. Brown. Very good, sir.

Representative Brown. Mr. Dodd, let me start my questioning with you. It seems to me that there is some advantage of having both white collar and blue collar investment in the same community versus the context of a headquarters, only. In a business as large as Owens-Illinois, is that an outdated concept or is there, still, a need for management of some of the manufacturing operations within the site, if you will, of the headquarters operation?

Mr. DODD. Mr. Vice Chairman, our company is operated in that we centralize our corporate headquarters, and those are the staff and administrative support functions, as well as the operating heads of each of our operating divisions; that is, those groups, we have several operations divisions and I won't enumerate them all, but they are headquartered in that building. Now, here in Toledo, the only manufacturing plant that we have of any significant size is our Libby Glass plant which makes table glassware.

Our plants are pretty far flung.

But there are supporting things at 14th and Adams streets. And the technical center where there are a number of professional people, as well as technicians, supporting help. And at Adams Park where we have some pilot plan operations. But they are not major manufacturing facilities.

I think it's a good mix in the community. And I'm not sure I'm answering your question exactly.

Representative BROWN. I was thinking about community development, in general. And I guess the conclusion that I would come to from your response is that, with sizable business corporations, the management headquarters and the manufacturing operation are not necessarily related in the same community. It may very well be that going after industrial jobs and going after headquarters/management facilities are really separate considerations.

Mr. DODD. Very much; there was no compulsion on this company to, say, be located in Toledo versus some other location by right of—that is, Libby is one of several operated divisions. But we have no glass container plants here. That is our largest operating division.

We have no paper business here. We have over a million acres of woodlands scattered over the country, 4 major mills, 20 some-odd corrugated box plants. Now, we will, in this instance here because we are working with the Warren-Sherman group, and it's been a pleasure, I think we might have something to do with that order.

Representative BROWN. We'll be glad to take the printing. [Laughter.]

Mr. BROWN. It's done. [Laughter.]

Representative BROWN. And you can have the binding, Mr. Brown. [Laughter.]

Mr. DODD. But we will have a corrugated box here at Warren-Sherman and we will invest $2½ million in that, and we will have a labor force of 20–25 people employed here. And we anticipate that the sales of this business will be something around $3 million a year. But this is not a related thing. This is a private entrepreneurial sort of a thing. But our television bulb business, our disposable paper and plastic plate business, which you are enjoying there, I hope, are not related to Toledo.

Representative BROWN. Let me ask the question a little deeper, if I may, in terms of headquarters, then. The activities that are related to headquarters might involve support with reference to data systems, research, marketing and so forth. Are those generally centered in major corporate headquarters or, could you give me a list of the things just off the top of your head that might be the kinds of jobs that will be the future jobs of major industry headquarters? I have a reason for the question and I'll come to it in a minute.

Mr. **Dodd**. Well, there are great many professional people. We will have lawyers in the legal department and we will have the marketing people and we will have the accounting department, our chief financial officer and supporting staff. And we get to our operations division, we'll have our chief engineers, our chief production people, our chief marketing people, our administrative people again.

So, there are a large number of professional, highly skilled, highly educated people.

I was interested in coming over here, looking over some papers, that employees of Owens-Illinois pays city income taxes here in excess of $2 million. That's, by right, a pretty level of compensation among that group.

Representative **Brown**. I'm trying to relate to the points made with reference to education and the nature of jobs available and the future of job opportunites both in a city like Toledo and a State like Ohio. Historically, basic industry States have a lot of blue collar employment but, to an increasing degree there has been a shifting out of that blue collar employment and into the support activities and service activities and white collar work in headquarters, such as research and marketing.

In industrial nations all over the world, there has been a tendency for the number of blue collar jobs or industrial jobs as a percentage of the total job force to shrink, whereas, the support or service jobs, the so-called professional or white collar jobs, seem to be increasing.

Does that seem to be borne out in your business?

Mr. **Dodd**. Very much. And that's increasingly so. And I won't go back to take a lot of figures. But I've been with this company 35 years and I remember the way that mixing people and the number of people involved were concerned.

When I came in here 35 years ago we didn't begin to fill our own headquarters building. Now we have close to a little over 900,000 square feet down there occupied principally by professional people. And Ohio has been a good place to support those.

We are large employee recruiters at places like Toledo University, Bowling Green, Ohio State University, University of Michigan, Western Reserve, Ohio Wesleyan, Denison, Heidelberg, Miami, Ohio University, and Cincinnati. I couldn't tell you right off hand whether we employ more people from Toledo University, Bowling Green, or Ohio State. But those three would rank, probably, as three of the top institutes in supplying our manpower.

Representative **Brown**. Which, of course, leads me to the conclusion that the educational institutions have a considerable impact in terms of the supply of labor as well as the continual relationship of the educational institution with the community and its businesses. And, I would assume, there is a blue collar strategy and also a headquarters or management support strategy that communities have to look at in terms of the future of their own development.

Mr. **Dodd**. That's been very helpful to us. Again, it is a two-way street. We are dependent upon them and we are happy to be able to support a number of scholars at these universities in the form of scholarships continuing educational programs where we pay the person's tuition and the cost of his books if he will study something related to what he is doing at Owens-Illinois. So, we have a great many people who are employees who are going on, completing school, and receiving college degrees while they are working. And we have at these schools, plus a great many others across the country, research programs which are being funded by Owens-Illinois related to some particular business with which we are involved.

Representative **Brown**. One of the strategies, I would think, from this exchange that is helpful to a community is inertia—the result of already having a facility in the community where the location of the employees has become comfortable due to kids in high school or own homes. This inertia tends to keep you rooted to the area and gives you an opportunity to build on what you have.

Let me ask you about the disadvantages and advantages of association with industries which are involved in the same type of generic type of work.

Toledo is known as the glass capital.

Was that part of your consideration in making the determination to stay here? Is it an advantage or disadvantage for the community?

Mr. **Dodd**. I think Toledo is known as the glass capital by right of several companies being headquartered here. But their manufacturing facilities are not always headquartered here.

As I said, in our own case, this is not a large part of our manufacturing facilities.

People from Libby-Owens-Ford and Owens-Corning Fiberglas and Johns-Manville could better describe their glass activities. But they are far flung, too.

Representative **Brown**. Is there an advantage for being in the community with the same kinds of headquarters facilities?

Mr. **Dodd**. Some. But that cuts two ways here. We are closely identified with the automotive industry and while we are known as the glass center of the world that's more because these companies are headquartered here than the amount of glass that is actually produced here.

A very large part of the employment here is related to the automotive industry and it's been very hard hit as we all know all too well.

I think the diversity of employment will increase in Toledo because—and I think the automotive industry will, given a little time, will be back. So, I think diversity is something to strive for. In our own case, we do not, as they do in the automotive industry, have people in our particular businesses who move back and forth because ours are more specialized. We do not produce flat glass, whereas Libby-Owens-Ford does. They don't produce television bulbs, which we do. And those are really distinctly different businesses.

Representative **Brown**. What about the advantages of old facilities versus the new facilities? Was that purely an economic decision? In other words, you indicated that you were ready to make a move to new facilities.

What happens to the old buildings? Are those going to be a drag on the community as a result of your moving out of them, or, are they going to be occupied in some way?

Mr. DODD. No, that building is being sold to one of our leading banks, the Ohio Citizen's Trust Co., who will occupy it very shortly. They are going to do a little remodeling, and their headquarters will be there.

So, I think that's a fine development for them.

It's interesting that the building was originally built by a predecessor of that bank and they'll be moving back there. So, it will be occupied very constructively. That is an everybody-win situation.

Representative BROWN. Finally, how important is Toledo's location to economic development? The city of Toledo is right in the middle of the world's greatest marketing center.

Mr. DODD. Toledo is amazingly well located. And I think it's been overshadowed by Detroit, Cleveland, and Chicago. But it is centrally here at the end of an important lake in the St. Lawrence Seaway. It's a very thriving, major port. It is a major rail center. It has good air connections. And, I think there are a lot of reasons to believe that it will continue to grow much more rapidly than its neighbors.

I think that Toledo is just beginning to realize some of its potential for growth and has a very bright future despite this "flee from the North" that we are all aware of which so many people have been moving South. Toledo has had a better experience than most industrial areas in Ohio.

Representative BROWN. Let me change the direction just a minute and ask both, perhaps all three of you, a question that was stimulated by the presentation that we had from Mr. Norris on the systems that need to be linked together for development of the community to take place. And I was struck by and circled the phrase, "better and less costly school." That seems to be every taxpayer's dream, Mr. Norris. But how do you, how do you relate those two things directly? What, what do you want in the way of better educational facilities?

You mentioned people from schools who were not able to compete or not able to participate in the job market. Are you talking about the kind of education done at elementary and secondary schools, now, and are you critical of that; or are you talking about technical school education and critical of that in terms of relating it to the job needs in the community; or in fact do you mean both?

Mr. NORRIS. I mean both, starting with the young people getting out of school, who are functionally illiterate. They can't read, they can't write, they can't do arithmetic. You can't hire them. They are pouring out of every inner-city high school, and some of the high schools in suburbia. That problem has to be addressed and it can be through the use of computer technology.

Remediation is terribly time consuming and frustrating for teachers. But the computer is patient and doesn't get angry. And it's been very effective. It's being used effectively right here in Toledo, not only for kids in school, but kids out of school.

Now, as far as the vocational or technical part, it is a matter of training people for jobs that exist. Much of the previous funds that have been spent by the government have gone to training people that can't get a job, and that's doubly frustrating.

Representative **Brown**. Mr. Dodd, do you agree with that? I have heard the criticism of public education in the United States before. And I assume that, in making your decision in staying here, you took that into account because you mentioned the quality of education in your remarks.

Mr. **Dodd**. Yes; I've always been interested in education, and part of it is because my family were all educators.

And I think that as costs increase, we have to pay attention to providing the increased support for a public school system. And while nobody enjoys bigger and more taxes, it just costs more to have good schools and we are going to have to provide excellent schools. That's one of the things I said for the continuing development of Toledo.

I think people are reluctant to come to a community where they say, "Didn't I read someplace last year about a strike there or that they shut the schools down for 2 months? I don't know whether I want to take my children there or not and run that risk."

So, I need, we need not only a good school system but one that has continuity and credibility and stability and that we know is going to be there providing the continuing educational opportunities.

Now, inherent in any school system is assuring continuation of academic standards that make a degree or a level of achievement meaningful to an employer and to society so that if you have completed high school, I know that you can read and you can write and you can multiply and you can divide and you may have some geometry, you may have some algebra, you have some trigonometry, you may even have had some calculus. But I can look all that over from your academic record. You probably had some basic chemistry, you probably had some literature, you probably had some history and geography. I wish they had more economics and I imagine that Mr. Norris and I would agree that one of the areas of public education is an inadequate attention to the schools that one has to live with during life and that's the economic reality of life, that, what is a checking account, what is a mortgage, and what is a rate of interest and what is a bond and what's the difference between A-rated bond and a triple-A bond and what is a warrant, and a lot of things that I really think amaze younger people in that they don't get that opportunity in the school system.

But I think we are doing a little more of that. And that, too many times for just lack of knowing, the people that owe the most are the people that are the least able to pay. And understanding what credit is and how credit can be constructively employed and all those things that are of public interest.

Mr. **Norris**. I think I should add that we are facing a crisis in engineering education in this country. The Japanese are graduating more electrical engineers than the United States and we all know what a threat the Japanese are not only in the automobile industry, but in electronics and communications. And fundamentally, the high schoools do not have the facilities for teaching science and mathematics. Where they do have the facilities there is not a proper handling of them to provide the incentive for the kids to take science. So, we have a very serious problem.

Representative **Brown**. But, Mr. Brown, your level is somewhat different in interest. You must rely on management skills aimed at translating a technical capacity into a successful small business.

Could I have your comments on this, please?

Mr. **Brown**. Yes; I agree with the statements to a point, because you have to have the proper mix. OK, you need the necessary technical skills, but also you need the administrative skills in terms of education. But the vocational ed is not for everyone. It's a choosing. You need both vocational education and regular education to go together to make the proper mix for the people.

Representative **Brown**. What would you say about the quality of basic skills in current education?

Mr. **Brown**. I have seen a decline in the quality of basic skills in the school system. But, it, from my understanding, the SAT tests are saying that they are now coming back in terms of illiteracy.

Representative **Brown**. Let me try to relate, Mr. Norris, your suggestion which I hear repeated about tax credits versus the quality of education problem.

If we are offering tax credits for the advantage of business to locate, where do we get the funds for the financing of public education on a quality level?

Mr. **Norris**. Well, I think these are, while they are related, you provide tax credits for training. That's an investment. You will get that back. For example, twice in our history we have had major legislation addressing that issue; one, the GI bill. There was an enormous educational deficit created by the war. The Government passed that legislation that provided financing for young people coming back and that was the greatest investment this country ever made. It fueled the surge of industrial innovation that occurred after the war. Previous to that, there was the Morrall Act. So, there is a precedent in this country for taking varying approaches to education and training. And we need legislation equivalent to the Morrall Act or the GI bill to address these many facets of education.

Representative **Brown**. Is the future of education an integral part, do you think, in the development of the city as opposed to some other aspects of community investment, if I can put it that way?

Mr. **Norris**. Oh, yes. It is fundamental, especially in the poverty stricken areas. This is where the problem is the worst. These kids come out of the school, half of them can't read. So how can you ever revitalize the community when the young, the underpinning of the society on an ongoing basis are not capable of participating in society? So, it is critical.

Representative **Brown**. Mr. Brown, could I have your comment on that, too?

Mr. **Brown**. We must have quality education, as he stated. The people come out of school and just can't read. Myself, for instance, I hired a young man who could do the job, meaning, as in charge of setting up the line for my collating. OK. But he could not follow written instruction. He was good at practical, OK, aptitude, but he could not read—you must learn how to use the basics; to read, write, add, substract, multiply, and divide.

Representative **Brown**. How did you deal with that problem?

Mr. **Brown**. How did I deal with it personally? He went to the Fairbrick Learning Center, which is across the street from my building, and he took remedial education on the computer. And he came back and now he communicates in writing. But it was only after I hired him, because what I found out was he took the application home and somebody helped him fill it out.

Representative **Brown**. How long did it take for him to be brought up to speed, as it were?

Mr. **Brown**. I think it was approximately about 90 days, if my memory serves me correctly. I could be wrong, but, probably, about 90 days. That is to say that he had the basics.

Representative **Brown**. In effect, about the same length of time it took to turn out people in World War II that could run military operations?

Mr. **Brown**. I can't say, sir. I wasn't there.

Representative **Brown**. Mr. Dodd and Mr. Norris will remember that. By the time I got there it was taking more than 90 days, getting down to the bottom of the barrel.

But, I think it is an impressive analogy.

Should the tax incentives be provided only if on-the-job training takes place, Mr. Norris, or do you want to put the tax incentives somewhere else?

Mr. **Norris**. It is very important to link education and jobs. If you don't do that, first of all, I hear it said to me, very often: "Well, a lot of these kids, they don't want a job in a fast food restaurant," for example, and that's true, because they don't see where that's going to lead them. So, you have got to start in these high schools, in the 10th, 11th grade, to work with the young people, give them a part-time job, help them to get on to a career path. So, it's critical that education and training be linked to jobs.

Representative **Brown**. Let me ask one other thing: Should the firms get the incentive whether they train or whether they not train individuals? In other words, should we provide tax incentives to move a firm into an area whether or not they offer additional training? Some argue that they offer something very valuable and that is a job.

Mr. **Norris**. Yes; but the person can't advance, doesn't have a career path. In fact, many of the residents can't even get the job because they are not qualified.

So, I think it's critical to couple education and training with other incentives.

Representative **Brown**. Mr. Premus has a question. Mr. Policinski has given up his question because I have overrun the schedule.

Mr. **Premus**. I'll be quick. Mr. Dodd, you mentioned that Owens-Illinois and other corporations have important ties to Ohio University system, primarily through the recruiting of students and through R. & D. ties. From your experience, how would you rate or assess the adequacy of the scientific and technology community in Ohio in meeting the needs of business, and is it adequate to attract high technology jobs in industries like telecommunications, computers, electronics, and other high technology industries?

Mr. **Dodd**. Well, I doubt that we can overemphasize it. I think the universities are running very tight depending on whether they are either private or public supported, so-called the State land-grant schools or whether they are private institutions. And just by little way of background, there's really no longer any such thing as a private institution. There's no longer anything as a State-supported institution.

Ohio State University can't get along without private support, in addition to tuitions and State support. But neither can Harvard University get along without some of the Federal contracts or MIT get along without some of the contractural work that they are doing.

Now, the advancement of our standard of living and of society, generally, is very dependent upon a continuing advancement in technology.

And to the extent that we permit that to lag in this country, why, we are going to be, we are going to be overrun—and I say that figuratively, not literally—immediately. But I think that productivity in this country, the increases in productivity in this country have not kept pace with the percent increase in productivity as countries such as Western Europe, Germany, in particular, and, of course, Japan, where there have been very significant increases and part of the increase in technology must come not just from people running faster or lifting some 5 pounds more; it's got to come from improved technology and that the work force can take advantage of so that their efforts, in effect, more constructive, are more productive.

So, I am very much an advocate of not indiscriminately awarding large amounts of money to the institutions of higher education, but assuming that they are doing their jobs, being sure that they are adequately funded whether they are public or private.

And we as a business institution do support a number of colleges and universities, both public and private. And that is, by that, I mean, they may be State supported. We still support them. And they may be private institutions and we support those, also.

So, I think that, we do—we are blessed in Ohio, as you gentlemen know, with a larger than average number of institutions of higher education. Very few States approach the number that we have here. And I think the education is good. I would only encourage people, generally, to support these things and to continue to support them.

I would encourage the Ohio Legislature to do that and I would encourage our cities to do that and I would encourage our individual taxpayers to support the secondary educational system and be demanding as to the quality of education, the quality of the teaching, the efficiency of administration, and the efficiency of the employment of capital funds to put up the right structures in the right place. But don't neglect education because you have some particular feeling that they are not doing exactly what you want. Change the curriculum. Do what you want there, but don't cut off your, really, blood that makes this country go.

Representative **Brown**. Let me just ask one final question in that regard. It seems to me that what comes out of this discussion, clearly, is that a closer linkage between economic development and educational institutions is absolutely necessary. Currently, there is a somewhat new and different development going on that the Du Pont Corp. has offered. I think it is an assoication with Harvard, that Du Pont offers support for their research in genetics with the understanding that Harvard will provide to Du Pont the results of that research. Consequently, Du Pont can get a Hewlett-Packard kind of lead on the business community to convert that research finding into a profitmaking venture. Theoretically, taxes will be paid on those profits and therefore everybody benefits? Harvard is supported, the economic future of Du Pont and its workers is supported, and the community at large is supported?

Would you be willing to make that kind of commitment, Mr. Dodd, with a relatively large corporation; Mr. Brown, with a relatively small corporation, for the research into, say, technical development, better education, whatever the capacity of training might be for a technical school, and so forth?

Mr. **Brown**. Yes, I would. I am in favor of that. When Brown Packaging has the necessary funds, I intend to basically train my own supervisors not to just hire, say, from a want ad or something. Because, when you train someone in house, basically, OK, or if they come from an institution and an O.J.T. basis or a co-op basis to be trained in a plant, than——

Representative **Brown**. For an existing job?

Mr. **Brown**. For an existing job, definitely for an existing job—that gives them a sense of togetherness with that company. They seem to produce or become more productive. That can be put in the terms of R. & D., not in terms of dollars and cents, but in terms of a start for someone. To me, that's research and development for Brown Packaging.

Representative **Brown**. You and I have got to talk more about this. I have got legislation right on that point.

Go ahead.

Mr. **Dodd**. We've done a good bit of that both, say, Ohio State University and Alfred College. Both have fine ceramics schools where we have a continuing program in research and which we will subsidize the results of that. I think both have to be considered individually because, somewhere, the information should be broadly distributed and in the interest of the total public. There are others that are wholly proprietary, subsidized research projects that are carried on by institutions under contract. And that's whether you are into Atell, or A. D. Little, or Ohio State University, or University of Michigan. And there would be different situations, I think, and we would have to consider them differently. I've been aware of the Du Pont program, but only generally, and who gets the proprietary value of this, I'm not aware.

Representative **Brown**. Well, if you would be willing to do that, I think that using a public institution or anything that has public funds in it, we might be able to tie you or the corporation down to developing the business in the area where that institution is located, so that there is a centergistic benefit all the way around.

Mr. Dodd. The engineering school out here is very close to our research center and they are in and out of it and use that facility. So, I think that it enables them to attract a better faculty by right of having better access to that. And our access of that gives us the availability of some consulting that we would not otherwise be able to have. So, I think it's always greater opportunity for the private sector, industry in particular, to work very closely with the educational institutions to attract and maintain better faculty and to have better input of technology and business systems.

Representative Brown. And I would hope that would help to develop a relationship for the future economic development of jobs in the area.

Gentlemen, I'm going to have to move on to the next panel. I would like to spend more time with each of these panels. I've already spent more time than I was supposed to, under our time constraints.

We will now move to our next panel which is Inez Nash, president of the Warren-Sherman Community Council, Joseph Tomasi, director, Region IIB, United Auto Workers, Michael Porter, president, Toledo area Chamber of Commerce and former city manager, and John W. Blatt, president-elect, Toledo area Small Business Association.

Ms. Nash, I want to especially welcome you because of your position with Warren-Sherman Community Council. Though all the testimony we receive today is important, none is, perhaps, more important than the view of the neighborhood where all of this—I don't want to call it experimentation—but new approach to neighborhood development is going on. With that in mind, your view of whether or not it's been successful, what its problems have been, what its problems may be in the future and a prospect of whether or not it is transferable to other communities around the country, either stimulated by legislation or stimulated by the example that Toledo and the Warren-Sherman area have set and with communities doing it on their own hook will be extremely helpful.

Would you please begin this panel with your testimony and then we will turn to the others who are here.

STATEMENT OF INEZ NASH, PRESIDENT, WARREN-SHERMAN COMMUNITY COUNCIL, TOLEDO, OHIO

Ms. Nash. Thank you, Mr. Vice Chairman, and on behalf of the Warren-Sherman Community Council, I shall attempt to represent them today.

The Warren-Sherman Community Council has been the backbone of the Warren-Sherman neighborhood since the early 1950's. The community council was first formed to provide an organization where residents worked together to solve social, physical, and economic problems.

During the early days of our existence when most people had jobs, the needs for our neighborhood were different. Services such as day care, better housing, and more accessibility to health care were needed to provide support services so that people could continue to work.

During the 1960 urban renewal era we began to experience a rapid out migration of residents. In part, this was due to the national shift from urban to suburban living. It was also due to the emphasis of the urban renewal program. But regardless of the reason, the inner city was not considered the best place to live.

Early 1970, the community development era was upon us. We found ourselves left with a neighborhood which had physically deteriorated. Our neighborhood organization remained strong, but left behind were residents who were unskilled, unemployed, and poorly educated. We were told that community development dollars would be allocated by both the city and through the community development participation process. There we were—competing with other neighborhoods whose needs were not as great as ours, yet educationally experienced enough to effectively manuever the citizen participation process.

WHY CITY VENTURE CORPORATION?

During 1979 at the request of George Haigh, the president of Toledo Trust, City Venture Corp. was invited into Toledo to meet with members of the Warren-Sherman Community Council. We met in the home of the late Rev. Robert Moody, a resident. We listened carefully as City Venture explained how they could assist our neighborhood organization with improving our now deteriorated neighborhood. And were we impressed. We were impressed because City Venture talked about jobs. In 1979, at least 32 percent of our residents were unemployed and over 50 percent were on public assistance. Our community council and the city of Toledo had not been successful in keeping existing businesses in our neighborhood. By 1979, our top priority was no longer social services, it was jobs. We wanted to get people off the welfare rolls and into meaningful jobs. City Venture Corp. presented strategies for attracting the private sector into our neighborhood in order to generate 2,000 jobs.

City Venture Corp. talked about education. In 1979, 40 percent of all residents had not even achieved a high school diploma. To compete in the open market, we knew residents had to be trained and given an opportunity to improve their basic skills. City Venture talked about fair break and skill training programs.

City Venture talked to us about housing. In 1979, 75 percent all properties in our neighborhood needed major repairs. Only 25 percent of all residents owned their own homes and most people lived in marginally habital units. Our Housing Committee had been successful in organizing a new construction project which kept people in the neighborhood who did not want to be relocated, but City Venture talked about a comprehensive housing strategy. They discussed rehabilitation programs, new construction, and strategies for increasing homeownership.

City Venture discussed ways in which to work with our existing Day Care and Health Care Committees in order to maximize the delivery of those services. They discussed ways in which to provide additional shopping and recreational facilities, but most importantly, City Venture presented a plan where our existing neighborhood structure would be woven into the fabric of the City Venture public and private partnership.

The Warren-Sherman Community Council has been totally involved in the City Venture process over since that first meeting in the home of the late Rev. Moody in 1979. Because we were an existing organization, we are a much more effective and viable community partner within the public and private partnership structure. The Warren-Sherman Community Council, the community partner, was already organized into five committees before City Venture came: executive, economic, housing, education, and health. These committees worked directly with City Venture Corp., representatives of the city of Toledo and Toledo industries to put together the Warren-Sherman revitalization plan. The importance of this involvment was that we were directly involved with assessing needs and defining activities and programs for our neighborhood.

Going into this process, the Economic Design Committee knew job creation and small business development were the most important strategies which needed to happen in order to put people to work. However we also knew we needed a process in which to channel people into jobs. This channeling process became known as the Warren-Sherman job bank. It serves as a centralized community employment referral service. Its purpose is to assess skills, knowledge, and persons in the neighborhood, so they may be referred to jobs as they become available. The job bank is not solely an information service. Employers in Warren-Sherman notify the job bank of their openings. When an employer is ready to interview, people from the job bank are referred.

The job bank also refers people into training programs and provides counseling in job-seeking skills and followup referral. To date we have over 600 people registered in our neighborhood job bank.

As people began to be placed into jobs we found that additional support services were needed to get people job ready.

Education was another area in which the neighborhood knew if needed in order to get people ready to work. The Education Committee assisted City Venture in opening a Fair Break Learning Center. The neighborhood committee recruited neighborhood people to insure they would have access into the program.

In the Fair Break Learning Center, clients spend one-half of their day in a one-on-one learning situation with the PLATO-computer-based education which teaches them basic skills in math, reading, and English language useage. The other half of their day is spent on learning techniques for getting and keeping a job. Fair break has been an exceptionally good program for this neighborhood. We have increased the educational level of 118 clients, approximately three grades in 3 months.

In addition, to now having a system which helped place people in jobs and helped get people ready for jobs, we recognized that our earlier needs for better day care, health care, and better housing still had to be fulfilled.

The Warren-Sherman parent/child enrichment program was written and designed by residents of the neighborhood in order to help people keep their jobs and also provide a learning experience for parents. Welfare mothers who have secured part-time employment at Brown Packaging & Bindery Co., for example, need to know there is an affordable place in the neighborhood where they can leave their children. Parents who want to improve their parenting skills need to know that they can get that kind of support within and from their neighborgood. Because City Venture was willing to provide technical support for presenting our needs to private foundations and because residents were willing to define what their needs were, we were able to secure money from the Greater Toledo Community Chest to finance this program.

Our Health Care Committee expressed the need for primary health care services. This committee worked with St. Vincent Hospital into becoming more closely woven into the community. City Venture assisted both the committee and St. Vincent into forming a neighborhood Family Health Care Center which will be housed in the Bancroft Kent Community Center. It is designed to offer medical services, screening tests, and preventive health care services to residents of Warren-Sherman.

The Housing Design Committee is a vital link between City Venture, the city of Toledo, and the neighborhood. The members of this committee are not housing authorities nor real estate experts, but have become managers by means of experience. The Housing Design Committee has designed all housing programs and has reviewed all proposals affecting housing in the Warren-Sherman neighborhood. Decisions to rehabilitate and improve homeownership opportunities were all neighborhood decisions. City Venture merely provided a means to get there. And we're there. We have a committed developer to build 231 units of market rate housing, the Lucas Metropolitan Housing Authority has started its planned rehabilitation of 20 units and plans to build an additional 10 units for residents of the neighborhood and our interest subsidy program will make it possible for at least 40 people to realize the almost impossible dream of owing a home.

The Warren-Sherman Community Council is the "community partner." We define the needs. City Venture Corp. has been the catalyst for generating public and private partners to solve our problems. It works. It's working in Toledo, because we have a committed neighborhook, a committed city and a committed private sector.

Our residents are important because we live here and we can best state our own needs.

The city of Toledo is important because they have resources and technical expertise to assist us in implementing programs.

The private sector is important because they have the financial capability and given the right incentives can create jobs.

Representative BROWN. Ms. Nash, thank you very much for your impressive testimony.

Mr. Tomasi, please proceed as you wish.

STATEMENT OF JOSEPH TOMASI, DIRECTOR, REGION 2B, UNITED AUTO WORKERS, TOLEDO, OHIO

Mr. TOMASI. My name is Joseph Tomasi. I am the director of region 2B of the United Auto Workers, representing approximately 60,000 members in northwest Ohio and approximately 25,000 in the Toledo area.

Toledo has recognized its potential for new growth and development. The city is abundant with private and public efforts to improve its economy, its neighborhoods, and the community benefits which its residents enjoy.

One particular project is worthy of comment today. It is Warren-Sherman and the new direction which it represents in development of new economic growth so vital to our city.

I am in total agreement with the activities of the Warren-Sherman area because they provide substantial benefits to Toledo and its citizens. Warren-Sherman presents a national model for inner-city economic development and has as its goal the restoration of economic and neighborhood development to an area burdened by high unemployment.

First and foremost, Warren-Sherman is bringing new jobs to an area of the city where few existed before. Neighborhood residents are being trained and employed for jobs which are new to the Toledo economy. These are valuable jobs which are bringing new business and technology into our economy and broaden its base. The Warren-Sherman projects establishes the key ingredients for a successful venture—a meaningful job. The development of jobs is of the greatest importance and benefit to our city's residents, their neighborhoods, and our local and national economies.

Second, the revitalization plan already underway establishes a new pride in the neighborhood. Urban blight and decay have stopped. Most important, their destructive influences have been dealt a fatal blow with the infusion of new residential, commerical, and industrial growth. New enterprises, new and reconstructed buildings, and new housing have all provided a new lease on life for the Warren-Sherman area and the city as a whole.

Third, I believe that Toledo is on the right track in its attempt to solve a major urban problem—the successful effort to revitalize a distressed inner-city neighborhood—with public and private sector cooperation. The resources of all segments of our population contribute to the strength and resolve with which we approach this project in particular and the revitalization of Toledo in total.

As stated earlier, my prime interest in the project is that new jobs are created. Programs which provide job training but which do not produce new jobs and income are rather futile. Unfortunately, economic development projects throughout the country have provided job training for nonexistent jobs. Such training raises a hope that quickly disappears when no job can be found.

Unemployment in the Toledo area now stands at nearly 12 percent. Unemployment among our youth is currently reaching very high levels, exceeding 20 percent. Even more serious in its implication is that a great majority of these young people have been employed and their prospects for the future are not particularly bright at present.

I need not go into all the details of what unemployment means in terms of individual and community social problems—broken homes, child abuse, alcoholism, and the like. This is why Warren-Sherman goes beyond the rebuilding of structures to also provide for new employment, social, and community opportunities for its residents. It does not just address the physicial deterioration of an area but strives to attain the human potentials represented by its neighborhood residents. This is achieved by generating conditions and resulting attitudes which remove the unnecessary obstacles to employment and a productive life.

As you can see, my prime interest in the project is its job-training and job-producing aspects. Toledo is a community that has been very dependent on the fortunes and viability of the automakers. The community needs diversified employment. The decline of the auto industry has impacted heavily on the Toledo area. Although it is difficult at the present time to estimate the permanent job loss, it is substantial.

Although new jobs have been developed in the service area, few new industries have located in Toledo in recent years. The Warren-Sherman approach holds potential to reverse this trend. The commitment for new light manufacturing operations and the establishment of a Business and Technology Center are bringing new manufacturing employment to our community.

Warren-Sherman puts in place the groundwork so vital to our new enterprises which are needed in Toledo. It allows for the development and introduction of new technologies needed to diversify our economy and generate new jobs.

Although I favor Warren-Sherman as it is being developed, I do not want my appearance before this committee to be misinterpreted as support for the enterprise zone legislation as it is now proposed in both the Senate and the House. Since testimony has already been given in Washington, I do not think it is necessary for me to repeat the reasons for that opposition. If there is going to be Government involvement, however, I would favor direct grants to projects.

Warren-Sherman is progressing without additional tax incentives to private enterprises. Although I am not a tax expert, I believe there is presently sufficient latitude in the system to encourage private investment.

Nonetheless, the Warren-Sherman project represents an innovative approach to urban deterioration and desired revitalization. The project's strongest assets are the jobs, and the spirit of the people holding them, which result from the well-placed resources of the public and private sectors, the neighborhood, and the community as a whole. In summary, I am in support of the Warren-Sherman project.

Representative **Brown**. Mr. Tomasi, thank you very much.

Mr. Michael Porter, please proceed as you wish.

Mr. **Porter**. Thank you, Congressman Brown, and I add my welcome to Toledo.

STATEMENT OF MICHAEL PORTER, PRESIDENT, TOLEDO AREA CHAMBER OF COMMERCE, TOLEDO, OHIO

Mr. **Porter**. I'm Michael Porter, newly appointed president of the Toledo area Chamber of Commerce, recently coming to this position from the city manager's post for the city of Toledo. During my 2½ years as city manager and 14 years in other administrative positions with the city of Toledo, I have seen many different approaches used to deal with urban revitalization. If we are to learn anything from history, it should be obvious that past approaches have not been very effective.

Reflecting on the reasons for past failures, I see two major ingredients that have been missing from the equation. The first is that we have never taken a holistic approach to urban revitalization and second, the public and private sectors have not been a team which addresses revitalization problems together.

The history books are full of stories about urban removal programs that created deserts within a city in the name of progress. This was caused by agencies creating a grand master plan on paper which was to solve all the problems of urban living, and although it made sense from a bricks-and-mortar perspective, it did little to deal with the problems of human beings. In most cases, buildings that were capable of rehabilitation were leveled and if any of the projects got beyond the creation of urban deserts, very little thought was ever given to any plan that would assure that the projected reuse would have a chance of being successful.

Over the past decade, Toledo followed a similar pattern of revitalization which utilized various categorical Federal assistance programs occasionally supplemented with some local funds and sometimes even a smattering of support by the private sector in the name of public conscience or philanthropy. However, an analysis of this approach showed very little progress when evaluating the total effort. There were some individual successes but never was a whole community ever totally revitalized. What was missing? Why wasn't meaningful progress being made? I feel the answer lies in the fact that Government was trying to deal with the programs of urban revitalization without involving the private sector and without addressing revitalization from a holistic approach.

About the time many neighborhoods had given up hope of ever regaining their viability, a whole new approach was conceived. This approach involved the blending of the public effort with a new found concern and involvement by the private sector and a whole new hope was about to unfold.

In about 1975, top Government officials and top business leaders began to talk about redeveloping the central business district of Toledo. During this process, a new dialog developed between business and Government. Because of a few positive experiences, a whole new respect and trust developed and for the first time in the history of Toledo, the private sector and Government began working together.

Edwin D. Dodd, chairman and chief executive officer of Owens-Illinois, Toledo's largest corporate citizen, unveiled plans to build a new world headquarters in Toledo, and from a development sense, Toledo was beginning to get excited about itself.

Bankers and industrialists began to realize that the strength of their own community was only as strong as its weakest link and if Toledo's neighborhoods looked like war zones, then the greater Toledo area would never be a dynamic place to live.

Because the downtown development project had opened up a whole new dialog between Government and business, the stage was set for one of the most unique neighborhood redevelopment programs ever attempted in Toledo and for that matter, in the United States. George Haigh, president of Toledo Trust, Toledo's largest bank, read an article about a subsidiary of Control Data of Minneapolis, Minn., called City Venture, and a new approach they were taking in neighborhood redevelopment. After much correspondence and travel between Toledo and Minneapolis, a relationship was finally established whereby City Venture was willing to designate Toledo as a site to further test their program. Thus, the stage was set for a neighborhood redevelopment project called Warren-Sherman.

It is my belief that Toledo and Warren-Sherman were picked by City Venture because of the public-private dialogue and cooperation that was already established.

Other is this morning's testimony have explained the details of the Warren-Sherman project. I would like to highlight a few points that have made and will continue to assure the success of this project.

The first point is that without cooperation between the public and private sectors, a community cannot effectively grow. Historically, the business community had little to do with local government officials and had very little concern about nonbusiness related matters. Every now and then the private sector would give a few dollars to help declining neighborhoods and then return to their business pursuits feeling their social conscience was clear and that they had done their part. Government would continue to do their best with the tools available, but inevitably would fall short of their mark.

Communities cannot be revitalized by either the private sector or Government working alone. To be successful, it takes a team effort involving trust, cooperation, investment, and risk by all those who participate. Communities cannot be redeveloped by Government handouts and halfhearted philanthropy. Communities must be redeveloped by the self-determination of its own residents willing to accept the challenge and responsibility that goes with being a contributing citizen of the community.

The downtown revitalization and Warren-Sherman redevelopment provide ready proof that public/private cooperation can and does work.

There will always be a need for public money to provide clean and safe streets, parks, and so forth, but without the private sector side of the equation to provide jobs, loans, and other necessary assistance, the process will not work. Our program here in Toledo is not a giveaway program. It is one that gives people respect by providing the tools to enable them to make it on their own, and all of this is possible because the public and private sectors finally got together to work with our citizens as a team.

Representative BROWN. Mr. Blatt, I do not have your prepared statement as yet, but I'm happy to have you here, and I look forward to your testimony and we'll get copies of it later.

STATEMENT OF JOHN W. BLATT, PRESIDENT, KERSCHER ELEVATOR CO., AND PRESIDENT-ELECT, TOLEDO AREA SMALL BUSINESS ASSOCIATION, TOLEDO, OHIO

Mr. BLATT. Mr. Chairman, we certainly have copies available. I had intended to tell you since I know you were tied up in Washington all weekend, it was Ohio State 14, and Michigan 9. But Mr. Dodd took care of that for me. [Laughter.]

Representative **Brown**. I have to tell you, Mr. Blatt, that one of the things I did while I was working in my office on Saturday waiting for the votes to be called was, every one in a while, to sneak a peek at the television and see how Michigan and Ohio State were doing. And, I should say, what they were doing to each other. It helped make my day.

Mr. **Blatt**. Mr. Chairman and members of the committee; I am John W. Blatt, president of Kerscher Elevator Co., here in Toledo, Ohio, and president-elect of the Toledo Area Small Business Association.

I speak as a small business person, I own a small business. I speak for other small business owners as president-elect of the Toledo Area Small Business Association.

Our organization—TASBA—has 500 members in northwest Ohio and southeast Michigan, representing 10,000 employees and 35,000 family members. We are the oldest and largest active regional small business group which operates independently from the chamber of commerce—we represent only small business. In turn we are represented in Washington by Small Business United and in Columbus by the Ohio Coalition of Small Businesses. We join 3 million active small business owners in working for the continuation of the free enterprise system.

Nearly all historic growth in jobs has been by small business. TASBA members have created more new Toledo area jobs than all the Fortune 500 firms in our city in the last 5 years. We have created nearly 3,500 jobs. We will continue to create jobs through business start-up and expansion—if given the opportunity to do so.

TASBA members are impressed with and proud of the Toledo economic development plan and are active participants in its development and implementation. Our specific 1982 program calls for increased involvement in Warren-Sherman, export assistance, and small business financing. We view the Enterprise Zone Act as an absolutely necessary portion of the economic revitalization of our community.

Specifically, we know of many communities which have dresed-up their business districts. But we know of no other city which has undertaken such a comprehensive economic development program. One has only to look at the rebuilt central business district, the Vistula neighborhood rehabilitation program, the Warren-Sherman area, the waterfront improvements, the plans for utilization of the middlegrounds and the plans for a sports and convention center to observe the completeness of the Toledo plan. The downtown renovation program is a story of cooperative effort—the Government has contributed and the private sector has responded. But beyond the major stories of Owens-Illinois and Toledo Trust are the small business successes of Fort Industry Square, the Ohio Building, One Lake Erie Center, Toledo Gardeners, Inns of Court, Franklin Printing, Gilbert Mail, and others who have reinvested their own dollars in the redevelopment of our inner city.

We feel that the Toledo economic development plan truly represents a cooperative effort and that it is unique. But that is not the entire story.

Toledo's plan doesn't stop at bricks and mortar. It encompasses the program and vision to convert Toledo from an auto-dependent community to a diversified stable economy. All elements of the community are involved—all segments of the economy are being studied for avenues of growth—all citizens are being encouraged to participate.

I believe our economic development program will work. I believe it is working now. I believe it will work over the next several years.

The key element of our recovery is in your hands. Warren-Sherman needs to be identified as an enterprise zone and small business needs to be given economic inducements to locate there. Given the financial package now being discussed, I can guarantee you that the local small business community will respond and will move into the area and will create new jobs and will provide new services and will bring the area back on its feet.

In economic development discussions held by and for TASBA members, we have identified a strong interest in the Warren-Sherman area, if it is endorsed as an enterprise zone. The proposed capital gains elimination will encourage significant investment. The proposed income and property tax reductions will enable growing businesses to finance more of that growth internally.

These financial inducements are essential to the rebirth of Warren-Sherman because of the other influences affecting small business today.

In particular, we are prevented from expanding our businesses due to the high interest rates set by the Federal Reserve Board. We are further discouraged by the Federal Government's recent moves to support the savings and loan institutions by authorizing all-savers certificates, which resulted in a severe drain on available capital out of our area and into the major money markets. All-savers certificates merely moved money from one account to another. No new savings were generated—no new funds made available for business expansion. Fewer funds are now available to small business, with the Enterprise Zone Act. Businesses will be financially encouraged to locate in Warren-Sherman and will be permitted to retain more of their earnings to create more business growth and more jobs. More taxpayers will result and a more stable economy will develop.

The country needs enterprise zones—small business needs enterprise zones—Toledo needs Warren-Sherman to be an enterprise zone.

You make the zone—we'll make the jobs.

Thank you, Congressman.

Representative Brown. Mr. Blatt, that's pretty impressive testimony. And the reason I like it is I, too, am a small businessman. Although, listening to you describe your business, my guess is that my business is somewhat smaller than yours.

None the less, I agree with you on the importance of small businesses. I was sitting here thinking that the difference between the growth of Mr. Brown's business in recent years and the growth of Mr. Dodd's business. In terms of employment as opposed to the growth in dollars, the 70,000 employees in Mr. Dodd's business were impressive. But a growth from 3 to 25 people in a matter of a couple of years in Mr. Brown's business is, in terms of the increase, a much larger increase.

You missed two things in your testimony that I want to pick up on. First, one of the great benefits that will come out of the new tax bill is a benefit for owners of buildings that have a quality of attractiveness and historic value that can be restored and improved in such a way that they can be made more utilitarian and also more attractive at the same time. Restoration ought to be considered as part of this whole revitalization process. And that has been recognized in the tax bill to give entrepreneurs a tax credit for benefits so that they would undertake that kind of venture. The second thing is, you are right on point on the all-savers certificate and the small effect it has had on the enhancement of saving that it has provided.

Mr. Policinski and I were exchanging views, not that Mr. Premus doesn't agree with us, but he wasn't on board when we were into this particular argument. We tried to tell the current administration that there were better ways to stimulate the enhancement of savings than that which found its way into the current tax bill; not that the all-savers certificate is adverse. But it certainly did not accomplish what we might have accomplished had we taken other courses to do this.

Now, I wasn't suppose to make that commercial message. I'm running overtime but I do want to ask some questions of all of you.

Ms. Nash, you say in your testimony the out-migration of residents from Warren-Sherman was partly due to the urban renewal program in the 1960's. How did urban worsen migration?

Ms. **Nash**. There was relocation. Residents was relocated to the other parts of the neighborhood for housing. And this caused a great migration of residents who presently were living there to deteriorate.

Representative **Brown**. I have a secretary now retired whose home is Toledo. She retired after spending over 25 years on Capitol Hill. Originally she came down with the Congressman who represented this area and then worked for my father and for me. She lived in the east end on Euclid Avenue.

I visited her home on Euclid Avenue over the years and that neighborhood and some of the others still seem to retain their quality.

But the urban renvewal aspects of leveling residences, commercial buildings, whole blocks in some instances, at the time I visited Toledo made it look like, indeed, a bombed-out area.

I would have to say that what I have seen since makes a much more attractive picture.

You state that the Warren-Sherman Community Council was directly involved in the plans for the Warren-Sherman Development.

How vital is that to the process? And here, I'm kind of after, I guess I'm asking a sociological question. We have had the head of the largest business in Toledo and the head of the biggest bank here today; and I would like to know if their suspicion or a feeling of discomfort when this thing got started that, perhaps, this was merely going to do further damage to the residents of the community as opposed to really benefiting them and enhance their living condition?

Ms. **Nash**. Yes, of course, there were some suspicion or feeling of discomfort, when City Venture and private businesses came into the neighborhood. It wasn't easy for residents to accept what they heard in the beginning of the involvement.

Residents had to participate in all actions as well as listen. They had taken part in discussion that affected this neighborhood and their lifestyle, such as housing, the housing subsidy program which the bank plays a big role in helping residents to become home owners.

The biggest suspicion was waiting and understanding what each others role was taking place, and being a part of.

Representative BROWN. I gather from your testimony that you were already, to some degree, organized?

Ms. NASH. Yes.

Representative BROWN. So you had pretty good fabric of leadership, I gather. But did the result of this process raise up new leaders in the community and give them, give the Warren-Sherman area a structural leadership that it did not have before; or was it the same people who had been leaders previously?

Ms. NASH. There is always suspicion of new approaches in the neighborhoods, but what made a difference was the involvement with the bank in the neighborhood. What role the bank would be playing in the neighborhood and how businesses were going to help create jobs for the residents. The residents must have a role in the discussion during the process of the revitalization of the neighborhood and the process of implementation.

The Warren-Sherman Community Council already has an organization because of the involvement with City Venture it brought forth a greater participation on our committees and the education committee was mainly designed for the young adult group.

The council has elections every 2 years. We will have a holding of new officers this year. The organization consists of 30 people and steadily growing. The structure of our organization is mixed ages; our whole neighborhood is a mixture.

Representative BROWN. How would you characterize the Warren-Sherman neighborhood in terms of the age and the community involvement interest in the neighborhood before this undertaking? You didn't mention—I don't know whether, initially, this was an older neighborhood, a neighborhood of mixed age, mixed family styles and so forth.

Ms. NASH. The Warren-Sherman Neighborhood was very discouraged about the neighborhood before the City Venture came. The participation of the organization was very slow. Residents just had no hope that anything good would come of the neighborhood. There were only 10 people who were keeping the neighborhood together. Now we have a total of approximately 30 to 35 people who are quite active in the organization. The oldest member of the Warren-Sherman council has again become more involved in today's events. We have an enormous number of people who inquire about the Warren-Sherman community daily at the City Venture office. They volunteer their services in anyway that they can be of assistance to the community.

The Warren-Sherman Neighborhood is summarized as total involvement and commitment to the neighborhood and has a mixture of the old generation of the council ideas along with the new generation they have lived and witnessed the rapid changes.

Representative **Brown**. It was a mixed neighborhood before, in terms of the age groups involved?

Ms. **Nash**. Yeah, right.

Representative **Brown**. And has there been a substantial change in the number, in the percentage of unemployment in the community?

Ms. **Nash**. Considerable change.

Representative **Brown**. And from your standpoint what about the things like crime and the social disorders that we have had generally in larger communities?

Ms. **Nash**. That is also changed, too. Everybody is looking forward to being employed, and the neighborhood is busy on involvement and participation on what, what other new action in houses. And we don't hear too much of crime.

Representative **Brown**. Do you see any change in attitude toward homeownership involving either individual, or neighborhood pride? Has that been stimulated or is that still about the same as it was?

Ms. **Nash**. Yes. There is considerable about homeownership and, again, as we say, before we can stimulate to the fullest extent, there must be a generation of jobs who can bear families, own homes. I can see a change of commitment in the community's homeownerships, who wants to own their home.

Representative **Brown**. I realize it is a delicate problem in Toledo as it is in some other communities. But, historically, in some areas, I think particularly of Akron, where the major rubber companies literally had people work at a certain rubber company, depending on what neighborhood they lived in. That is, the rubber company was in that neighborhood and you walk to work. Is that true in the Warren-Sherman Neighborhood now?

Ms. **Nash**. There is a change reaction in every area of the neighborhood. The people who stand on the street corners and idle their time are starting to get involved in the council meetings. Asking for information of how to go about getting a job and what they can do to help improve the neighborhood.

I think that the people in this neighborhood feel really great about jobs being created in their district; one reason is because of the transportation problem to and from work, it's within walking distance, and a feeling of supportive responsibility to their family once again. A chance to support and protect the interest in their own environment.

The approach that was made with the Warren-Sherman community was a good one starting with the neighborhood whose needs were the greatest. I think the neighborhood indeed wants things to happen faster but they understand now that working with a triple partnership: Warren-Sherman Community Council; City Venture Corp., and the city of Toledo must all work hand in hand, that making decisions require time for things to develop.

Representative **Brown**. Well, I don't know about getting to work on time. Our family business was right across the street from where we lived, a little newspaper business. I frequently got there just as the bell rang.

Is there anything that you think ought to be changed in the Warren-Sherman approach or the approach of the community with reference to the Warren-Sherman situation?

Ms. **Nash**. Not exactly changed, from the feeling of the neighborhood. I think the neighborhood is wanting things to happen much faster. And I think it's been a considerable lot of things happen just in the past 2 months, and they are very excited about it.

Representative **Brown**. Maybe these hearings will be helpful in that regard. Does the neigborhood still get together on these issues now? I mean, is that process continuing? Is that a method by which you can express yourself on the slowness of the process, and you can grab Mr. Haigh by the collar or somebody else in the operation?

Ms. **Nash**. Once a month we still have neighborhood meetings which has been constantly neighborhood meetings for the past 20 years. So, the neighborhood organization still meets once a month.

During the month we have committee meetings which meet. I think they are very familiar about meeting with officials.

Representative **Brown**. Mr. Tomasi, let me open with this thought: We frequently hear the leadership of labor unions criticized for only having an interest in industrial jobs that fit a highly skilled and trained union employee. I was delighted at your interest and your concern for the Warren-Sherman concept in that regard.

My question is, do you see a transition between that effort in Warren-Sherman and the development of more highly skilled jobs. And could the pattern of work backgrounds developed can lead to the strengthening of union membership?

Mr. **Tomasi**. There's all kinds of job developing in high technology that I think would fit in this kind of area. I think that Mr. Norris hit on it pretty strongly when he talked about the lack of, maybe, some basic skills that are needed. But overall, if the skills are developed and you can see them being developed in Warren-Sherman, I see no problem with people with high technology moving into the Sherman-Warren area. I think this provides a very good basis for that kind of development. Those would be the better jobs.

As an example, in the Boston area, in Massachusetts, in general, they talk about better than 200,000 jobs in that particular area right now, and they claim that they are limited to about four or five areas, in the country, Houston, Boston, and a couple of more areas.

Representative **Brown**. California——

Mr. **Tomasi**. Yes, California. Those kinds of things. I think it would be very good here in this area.

Representative **Brown**. My own educational background is in the North Carolina area which is a very limited income area. When I was down in school down there, the research triangle that was developed at Duke, the University of North Carolina, and North Carolina State did not exist. Relatively low-paid jobs dominated that area. But with the development of the research triangle and technological development in the area, we in Ohio feel the sting of the competition for high income jobs from that part of the country.

The jobs that have sprung from there have been jobs that have attracted Ohioans to that area.

The other thing that occurs to me, of course, is that as the Warren-Sherman residents move off the social benefit roles and into job activity—in other words, instead of being tax users, tax providers—that you wind up with an opportunity for those people in the union oriented industries to be able to have more jobs, too, because they become customers for automobiles and this sort of thing.

Mr. TOMASI. Hopefully they become customers.

Representative BROWN. That are made by the people you represent in your union responsibility.

You suggest that maybe the tax incentive idea, though, has its limits. Would you want to elaborate on that at all?

Mr. TOMASI. Yeah. I think, just some limitations based on studies done by Treasury and some testimony given to the Senate committees by Arnold Canner and evaluation at Camp Garcia, there seems to be some thoughts saying that the zones in its present setup tax latitudes at the present time to encourage businesses to move into these type of areas.

The Treasury analysis in comparing zones in Chicago claims that it's very expensive to provide jobs under the enterprise zone theory in these particular areas as compared to UDAG grants and the cost may be as high as four or five times as high. And, of course, those are studies, and I think what all of them are trying to develop is some, maybe new approach to providing incentives for distressed areas and, hopefully, out of the testimony can come a proper approach that allows the zones to continue and maybe with a less tax incentive or some other kind of direct grants to do the job.

Representative BROWN. Would you make any other recommendations?

One of the things that occurs to me that's come out of this hearing today is the strong endorsement of a kind of total involvement in the development effort. In other words, how do you feel about a role for labor in this?

What about the potential for apprenticeship programs, as a basis for participation of labor?

Mr. TOMASI. There has to be some new technology. As new technology develops, you develop new jobs, new apprenticeship programs. So, those things would all be pluses. I think the negatives that comes from the loss of tax revenues, and stuff, that's generated because of the way the bills are designed at the present time.

I'm not a great fan of tax abatements for long periods of time, but I can see needs for tax abatements for short periods of time to encourage people to come into areas, and those sorts of things. The long-term effects, I don't favor them. There is probably some other types of incentives that should be granted directly to the, to the community, itself, either through the county or the city or the State and which, by moneys are pumped in, Federal moneys, that they can use as they have used in the past to develop jobs. So there is more than one approach to providing help for these types of areas.

Representative BROWN. In my area of the State, which is also heavily UAW in terms of its organized labor force, there has been some participation by some of the UAW locals in programs like OIC where they have had an assistance pattern to train people in the work habit, to assist those who do not have as part of their social background the habit of regular work as somebody who works in a union shop does. And I just wonder if there is a role for the labor unions in that part of the Warren-Sherman experience.

Mr. TOMASI. They do have programs, I think, in place now in Warren-Sherman to correct that problem. It was a serious problem as they tried to bring people in under the old hard-core programs that Chrysler tried, getting them off the street and getting them used to getting them up in the morning and going to work. We participate in those programs. We think they are necessary. There has to be some funding to do that.

I don't think business can carry that sort of a burden for a long period of time, so that we do favor that kind of action.

Representative BROWN. Mr. Porter, you suggest that the private sector must do more to aid economic development ir the cities—I think, from what's going on today in Washington, that probably proves to be very true—and that this aid has to be part of a greater plan that involves the total community.

There is a lot hinging on the success of the Warren-Sherman effort in that regard, then, because it seems to me the Warren-Sherman approach is involved with the private sector—and I don't just mean by private sector the business community but private institutions of a broader nature, I guess, even the church, because Ms. Nash made reference to the minister who is one of the catalytic personalities in this.

Do you have any idea about how we ought to go about trying to involve the business communities more in the activities of the communities? You have been on both sides of the fence, both as a city manager and now as the Secretary of the Chamber of Commerce.

Are you finding success, are you finding resistence in terms of bringing the business community into this whole area of public involvement or involvement in public problems? Another Ohioan, Mr. Verity of Armco has been given an assignment in that area. And one of the former members of the staff of the Joint Economic Committee, Mr. Jack Albertine, will be working with him in trying to encourage that kind of volunteerism within the business community and private sector.

Mr. PORTER. I think that's the real good news about Toledo, Ohio; and that is, unlike a number of cities, Toledoans and the private and public sector have gotten together, and I understand, this has been alone, in the past week that it has to be that type of cooperative effort.

I think the difference—and there's a difference in cooperation and help.

I think too often in past history cooperation was viewed as throwing a few extra bucks into the disadvantaged areas and turning around and walking away from it.

I think the beauty of what's happening in Toledo now is that it's a participatory process on all levels, the citizens, the corporate community and the government. That's the key. That's the three that you have to have to make it all work. And it's been that effort in a very meaningful way where everyone has some risk in the process. Accountability is the whole ballgame in this process. You cannot just hand out training and jobs and not ask for accountability. And I think that is the whole difference in this process, is that on all levels, there is accountability built in.

If we don't make it, it's not going to be that the other cheek will be turned. You are going to be required to do your share to make the whole thing work.

Representative **Brown**. I've been impressed that we had the participation, not just today, but apparently participation in the, in the dirty work of getting the job started from the top leadership in this community.

I think, frequently, the business community tends to say:

> Well, we've got a junior executive or a shop steward or a foreman that will take to the responsibility of the community. That's his duty and is not my duty as the head of the corporation to get deeply involved.

Mr. **Porter**. I would say 10 years from now the chances of ever having a meeting such as this with the heads of your corporate, your corporations would have been totally impossible, and it's this whole reawakening, and I think that's the good news. Because we can get them anytime we need them. And that's what it's all about.

Representative **Brown**. If I may, it seems to me that it's a good news in a Toledo undertaking, at least, and I would encourage you to emphasize that point to publicize Toledo's downtown development and Warren-Sherman success. It seems to me that every community offers its own peculiar undertaking in some of these public problems. There was the Philadelphia Plan, as you recall, for minority employment, Chicago business people, unless I'm in error, developed the National Association of Businessman effort. Toledo may be the genesis point for how we address in the new federalism, meaning reduction of Federal undertaking in these areas, the responsibility of the community in picking up the slack.

Now, in that connection, Mr. Blatt, can I ask, is there any special effort going on in your small business group for assistance or development of minority business enterprise in Toledo?

Mr. **Blatt**. We've targeted minority business enterprise as one of the areas we want to work with directly.

A specific area that relates is work we have done with the University of Toledo, Bowling Green, and Owens Technical College, on what we call university linkages. We've had a number of meetings with representatives of the schools and what we've helped them see is that, basically, what the universities were doing was teaching someone how to work for a major corporation. They really weren't teaching people how to work for and be part of a small corporation, or small firm.

And the universities have responded, I think, in a magnificent manner. The steps are going on everyday with increased opportunities for better communications. That will directly help the minority business, Mr. Blatt.

Just as an aside, it's kind of interesting you would ask me that question today because at 4 p.m. this afternoon a young black college student from the University of Toledo plans to come to my business and help me help him learn how to start a business. And that's the kind of one-on-one that I think the TASBA group is doing more of. We'll certainly work for more formal programs. But if you want to see it in action, it will be there at 4 today.

I don't know if I can help him, but I know that we are going to try.

Representative **Brown**. It occurred to me in your comments about the growth of small business that Mr. Dodd made the statement in his presentation that, the genesis for part of his business in Toledo was 1888. Then in 1928, or a little over 50 years ago, the business addition that stimulated growth occurred. So, it is the small business that starts as Owens-Illinois and then starts other kinds of industrial development and grows into Toledo's largest business.

Now, the technology that helps the small business grow into the big business, may, in fact, be generated by some of our educational institutions where the research is done.

Does your association have a live relationship with the University of Toledo?

Mr. **Blatt**. Yes.

Representative **Brown**. Or the other institutions in the area?

Mr. **Blatt**. As a matter of fact, we have board members from University of Toledo and Owens Technical College at this point. We have a new program that's getting underway, and it might be called an informational research program. There must be a better term for it.

With the efforts of Representative Colonna from the Ohio House Small Business Committee, we have negotiated with Ohio State University and many of the other leading colleges in the area, including our own, to find out what kind of talent they have on their staffs, what guy is an expert in what kind of problem solving. That information will be computerized. It is in the process now of going on the computer down in Columbia, so that as a small business owner, I'll be able to pick up the phone, call Ohio State and say, "Hey, I've got a problem. My elevators go sideways instead of up and down; who can solve it for me?" Hopefully they will be able to punch the button and say, "Oh, here is a guy from Bowling Green who knows the solution." So, that program is coming. It is underway.

The direct day-to-day involvement with many of the small business community with the university in teaching some of their courses and attending many of their classes is helping us to expand that interchange of information, and we are pretty confident that it's going to work to our advantage.

The universities have been extremely responsive in this area and we would look forward to a great improvement.

Representative **Brown**. How much freedom do you find in terms of the university's planning of its research undertakings or its offering of the kind of educational classes that might meet your need. For instance, the research facility in the glass industry for the major corporations in the community at the University of Toledo in a great contribution to the community but do they respond to you with reference to your concerns at the Chamber of Commerce, Mr. Porter, or to the smaller business, Mr. Blatt.

Mr. **Blatt**. Let me say that, at first, the answer is absolutely yes. I have used the University of Toledo for a market study on a new product that we wanted to introduce. Total cost to me for that complete market research which occupied three students for the better of a quarter was about $200; it's an excellent program.

I have also used consulting services from some of the college professors that are available for very minimal dollars.

So, yes, the service is there. It is available and all you really have to do is pick up the phone.

Mr. **Porter**. And as a postscript to that, they are trying to reach out all the more every day. They really are interested in trying to provide some additional services to the community. They understand what resource they are, and I see that as getting better as the years go on.

Representative **Brown**. Before I try to summarize the hearings today, let me ask Mr. Policinski to make a couple of remarks about our hearing and the technical aspects of it and anything else that you want to throw in.

Mr. **Policinski**. The hearing record will be available in approximately 72 hours in Washington. All the witnesses will receive a copy in the mail, depending on the mail service sometime after that. In addition, we are required to mention that there is an addition to the record, in written form that will be made part of the formal record and presented to committee. That addition will be made by Stephen Gaulde, executive director, National Association of Neighborhoods.

Representative **Brown**. I might say, if there are others who want to comment on this issue after our hearing today, they are welcome to do so. We would like to keep the submissions relatively brief.

We have already overrun the time that we have scheduled. And because of the unfortunate nature of my having to arrive late this morning, we are well past the scheduled time that we had set up.

I must apologize on behalf of several of my colleagues who had hoped to be here but because of the situation as it evolved in Washington, could not make it here today. A couple of my colleagues during this home work period—we are not supposed to call them vacations—were going to take family vacations because of the nature of the Thanksgiving Day period and had hoped to be here because it was apparent that we would not be in session during this period of time. Of course, it turned out that we were in session; and, therefore, at least your own Congressman, Ed Weber, was in touch with me about every 1-1½ hours yesterday, trying to figure out when we could come out together. We finally resolved about 9 p.m. last night that if we had to have a vote on a veto override, that he would stay in Washington and vote his vote and explain where I was; and that I would be out here explaining where he was.

As it turned out, I got the better part of the deal because I have been advised that a formal vote on the veto override is unlikely and that the House and Senate have gone back to try to forge some temporary resolution of the problem without confronting a veto from the President. And, so, apparently, I didn't miss that much in Washington.

I have to feel sorry for Mr. Dodd because he and the others have missed, I think, a great deal today on this whole question of community development in the 1980's without as much Federal financial support as has been the case in the past.

I think it's important to note that the participants have been essentially from the private sector; eight of the nine who testified as witnesses. This is indicative of Toledo's involvement, the involvement of the whole community in the process of revitalization, both in the downtown area and in the nearby previously blighted Warren-Sherman neighborhood.

Perhaps that's indicative of the reason for the success, maybe I should say, the success to date of the Toledo effort, in its progress toward resolving its problems.

Ms. Nash, I have to say, may have given—and I want to quote directly from what she said—the best summarization or crystallization of why the effort has been successful. She said:

> The Warren-Sherman Community Council is the community partner. We define the needs. City Venture Corporation has been the catalyst for generating public and private partners to solve our problems. It works. It's working in Toledo, because we have a committed neighborhood, a committed city and a committed private sector.

I think that's a tribute to this community and a tribute to the community in all its facets.

Obviously, the help of the government at the Federal, State and local level, in the past, cannot be discounted. There has been considerable financial contribution from all governmental levels, and if we had a flaw today in these hearings, perhaps it was that we did not have testimony from Federal and State officials, each discussing in more detail what they did in order to help out.

On the other hand, that may be part of history and not so much part of the future as it has been in the past, because the Federal urban programs, tax subsidized loans and the Federal grants, financed by the taxpayers and borrowed funds, may be reduced in the future. The Federal resources, at least, have run into problems, as we all know. Clearly, this is seen from the fact that the President has threatened to veto and caused the Congress to go back and look again at whether or not it can cut more out of the current and continuing budget resolution. And that confronts us, necessarily, with the problem that we are trying to find answers to in these hearings today: How do we replace those rather considerable financial resources?

Mr. Haigh put it with a banker's presentation in rather precise perspective when he said that none of this would have happened if it were not economically sound, if it didn't make a profit for somebody in the process.

It seems to me that the most important profit that we get out of it is the ultimate social profit that comes to Warren-Sherman and the Toledo community.

But, at the same time, it has to be done from the standpoint of financial or economic rationality. The recognition on the part of those who testified of the benefit of the pure economic profit, could be oriented toward this community, is, I think, the best tribute to the community that could be made from to the great vision this community has.

This is not pie in the sky thinking. This, literally, is a very practical kind of thinking about what's good for Toledo and what's good for the future of this country. And there seems to be a recognition on the part of all elements of the community that everybody has not only something to gain from this, but also a responsibility to make a substantial contribution to its success.

If that kind of approach continues to permeate our thinking, not only in this community, but, rather, throughout the State, also throughout the country, we may, in fact, be on to something that can benefit us even more greatly than the kind of financial contribution that's been made from the Federal level over the past few years, with all of its strong, negative, social, and economic side effects.

So, with that, I would like to adjourn this hearing. We hope to have another hearing in one other Ohio city at least, and that is Youngstown, a city that's been somewhat depressed by some change of economic circumstances of late. Hearings are also scheduled, I believe, in Miami, Fla., Atlanta, Ga., and other parts of the country on this same issue: How do we get economic revival going at the local or the grassroots level without the traditional pattern of rather significant Federal assistance. If we can find the answer to that, the hearings will have, indeed, been worthwhile.

Thanks to each and every one of you for your participation.

[Whereupon, at 1:22 p.m., the subcommittee adjourned, subject to the call of the Chair.]

[The following information was subsequently supplied for the record:]

NAN

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TESTIMONY

of

Stephen A. Glaude
Executive Director
National Association of Neighborhoods

Submitted to:

The Joint Economic Committee

Monday - November 23, 1981

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am pleased on behalf of the Board of Directors and membership of the National Association of Neighborhoods (NAN) to have an opportunity to comment on the proposals to create urban/rural enterprise zones. We are ready to participate in any effort that will reduce unemployment, urban and rural decay, crime and economic instability. Our Association was founded to address these issues.

The National Association of Neighborhoods (NAN) originally named the Alliance for Neighborhood Government, was founded in May 1975. The Association now has over 2000 neighborhood organizations and coalitions as members, representing nearly one million community leaders from coast to coast. NAN is incorporated as a non-profit organization in the District of Columbia with a Board of Directors who serve without remuneration. NAN has qualified under IRS code 501(c)(3) for tax exemption and deductibility of contributions.

In the spring of 1975, the leaders of forty neighborhood organizations met in Washington to discuss and formulate plans to improve citizen awareness, interest and responsibility in governing their communitfes. The product of the meeting was a consensus that an umbrella organization representing a diversity of neighborhoods geographically, politically, racially, ethnically, and economically should share information, human resources, and work to improve the quality of life and the opportunities for more effective citizen participation in governing their neighborhoods. Out of this meeting was born the Alliance for Neighborhood Government (ANG).

During the early years of ANG the organization focused its resources on providing information to neighborhood organizations on how they could develop self-help programs in areas including: housing, economic development, crime prevention, and the arts. ANG worked through volunteer task forces in developing self-help approaches to neighborhood issues and the necessary leadership skills to implement ideas.

In 1976, the name of the organization was changed from the Alliance of Neighborhood Government to the National Association of Neighborhoods (NAN) to more accurately reflect the growth of the organzation to a national full service resource association for neighborhood organizations and coalitions. NAN has organized five annual national meetings and a national neighborhood platform convention, and has had over ten thousand neighborhood leaders participate in a dialogue on how neighbors and community organizations can develop the necessary public/private resources and the leaders to sustain and promote the growth and development of neighborhoods.

NAN's major accomplishments in the last six years include:

- Persuading the Bureau of the Census to institute a "statistics for neighborhoods program" in the 1980 census.
- Raising residential displacement as a national issue and placing over 50 community organizers with 22 member organizations in 14 cities.
- Establishing a quiet neighborhood self-help model project

and a national network to aid community efforts to reduce unwanted sound.

- Holding regional meetings on neighborhood social, economic and environmental issues.

In the last six years, NAN has become a unique, multi-issue membership association of neighborhood coalitions, community councils, block clubs and citizens that research, discuss, debate and speak with a unified voice on issues of local and national importance. The most important accomplishment of NAN has been bringing together and training neighborhood leaders so that more people know about, understand and have the talent and skills to develop plans to improve the quality of neighborhood life.

From the perspective of our membership, neighborhood coalitions and organizations, there are three necessary principles to the development of effective enterprise zone legislation. The principles are:

1. Neighborhood participation in every stage of zone development,

2. Fostering partnerships between state and local government, large and small business, neighborhood groups and other community institutions (churches, schools, etc.) and,

3. Small local business development within enterprise zone areas.

The first principle, neighborhood participation in every state of zone development, is critical to the development of neighborhood support for the enterprise zone concept. This participation is critical because many of the businesses that will be encouraged to locate in the zones are alien to the community and the neighborhood residents may be viewed as aliens to the businesses. Participation by neighborhood residents will promote reciprocal support and enhance the zones' ability to achieve success. It has been our experience that local economic development is much more effective when neighborhood groups participate in every stage of the design and implementation of the development plan. Participation by neighborhood residents can be achieved by public hearings and forums, and by making neighborhood people a part of the decision making team in developing and implementing a zone policy.

The second principle, fostering partnerships between state and local government, large and small business, neighborhood groups, and other community institutions, is equally important in making the enterprise zone concept work. Partnerships are important to maximize the opportunities and minimize the risks. Opportunities that can be maximized through partnerships are: higher levels of neighborhood employment, minimizing residential displacement, reducing neighborhood crime, and promoting equitable neighborhood revitalization. Risks that can be minimized through partnerships include: business failures, further neighborhood decay, and neighborhood despair. The partnerships should include equity participation for neighborhood organizations and social responsibility by large and small businesses participating in the zone.

The third principle is the fostering of small business development within enterprise zones. The zones should not be the domain of large corporations. To ensure that this will not happen, small businesses should be encouraged to start and to expand in the enterprise zones. Neighborhood residents should have access to equity capital and technical assistance to ensure their businesses will have opportunity for growth. Tax incentives at federal, state and local levels represent an effective tool in promoting profitability. However, these incentives alone will not suffice in meeting the unique start-up and expansion problems of small businesses. Equity capital and technical assistance is crucial to the development of small minority and women's businesses.

We are encouraged by enterprise zones being proposed as another weapon that has the potential to help win the battle of urban and rural decay; however, many other weapons are needed. Enterprise zones should not become a replacement for the arsenal of weapons that have been effective in the past, but instead a supplement.
In conclusion, this Association is ready, willing and able to work with this committee, other federal agencies, state and local governments and the private sector in making the enterprise zone concept work.

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